DOCUMENT RESUME

ED 120 368 CE 006 408

TITLE The Community Development Credit Union: A Proposal for Strengthening and Expanding the Impact of this Effective Low Income Community Development Agent.

INSTITUTION National Federation of Community Development Credit Unions, Brooklyn, N.Y.

PUB DATE 74

NOTE 187p.; Not available in hard copy due to marginal reproducibility of original; Appendix E has been deleted because it is copyrighted

EDRS PRICE MF-$0.83 Plus Postage. HC Not Available from EDRS.

DESCRIPTORS *Community Development; Community Organizations; *Community Services; Consumer Economics; Credit (Finance); *Depressed Areas (Geographic); *Financial Services; Low Income Groups; Money Management; Program Administration; Program Budgeting; *Program Descriptions; Program Development; Program Evaluation; Program Proposals

IDENTIFIERS Community Development Credit Unions; Credit Union National Association; *Credit Unions; CUNA

ABSTRACT

The expansion of community development credit unions through a grant from the Office of Economic Opportunity is proposed and elaborated on by a current examination of the program. Described as consumer-owned, neighborhood-based financial institutions, more than 250 of these community credit unions are presently serving low-income communities throughout the United States, providing credit, consumer services, and business, home improvement, and education loans. The National Federation of Community Development Credit Unions was formed in 1974 and assists eligible credit unions in achieving self-sufficiency. A general administrative plan for the Federation is outlined, including a business plan, with technical assistance services, capitalization program, planned subsidy program, data processing, and evaluation; staff; and budget. Appended materials include: a listing of Community Development Credit Unions by State; the Credit Union National Association (CUNA) study (46 pages) evaluating community credit unions, with financial analysis, conclusions and recommendations, and tables; a listing of board of directors and officers of the National Federation; and two examples of credit union business plans: CABS Demonstration Federal Credit Union, Brooklyn, New York (38 pages), and the Lower East Side Federal Credit Union, New York (28 pages). (LH)

****
* Documents acquired by ERIC include many informal unpublished *
* materials not available from other sources. ERIC makes every effort *
* to obtain the best copy available. Nevertheless, items of marginal *
* reproducibility are often encountered and this affects the quality *
* of the microfiche and hardcopy reproductions ERIC makes available *
* via the ERIC Document Reproduction Service (EDRS). EDRS is not *
* responsible for the quality of the original document. Reproductions *
* supplied by EDRS are the best that can be made from the original. *
****

ED120368

JAN 29 1976

CE

THE COMMUNITY DEVELOPMENT CREDIT UNION

A proposal for Strengthening and Expanding the Impact of this Effective Low Income Community Development Agent

BEST COPY AVAILABLE

Prepared by: The National Federation of Community Development Credit Unions
c/o 501 Marcy Avenue
Brooklyn, New York 11206

U S DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY

CE006408

TABLE OF CONTENTS

I.	Introduction	
	The Continuing Problems of Low Income Communities and Individuals	1 - 3
	The Community Development Credit Union as a Response	3 - 4
	The Community Development Credit Union - A Brief Description	4 - 8
	The Applicant: The National Federation of Community Development Credit Unions	8 - 9
II.	Proposal Summary	10 - 12
III.	Work Plan for Achieving Goals	
	Administrative Responsibility and General Structure	13
	General Work Description	14 - 16
	Essential Components of the Work Plan	16 - 26
IV.	Staff Required to Implement Work Plan	27 - 28
V.	Budget	29 - 30
VI.	Conclusion	31 - 33
VII.	Appendices	1 - 19
	A. Listing of Community Development Credit Unions by State	1 - 19
	B. CUNA Study of Existing Community Development Credit Unions	1 - 45
	C. Listing of Officers and Members of the Board of Directors of the National Federation of Community Development Credit Union	1 - 2
	D. Examples of Credit Union Business Plans	
	1. CABS Credit Union	1 - 38
	2. LESEDAC Credit Union	1 - 28
	E. "The National Share Draft System" - A Reprint from Credit Union Magazine	1 - 2

I. INTRODUCTION

*The Continuing Problems of Low Income Communities and Individuals

*The Community Development Credit Union as a Response

*The Community Development Credit Union - a Brief Description of Current Status, Potential and Problems

*The National Federation of Community Development Credit Unions

The Continuing Problem of Low Income Communities and Individuals

In the 70's low income communities continue to face enormous problems in attempting to achieve viability. Despite a decade as the object of national attention, these communities are still unable to follow a traditional path to self-development.

This is primarily true because low income areas have generally not been able to develop the economic infra-structure needed to reinvest earnings and thereby promote internal growth and self-sufficiency. They continue to be characterized by a constant negative flow of income. Income inflows from salaries, transfer payments and business activities are matched and often exceeded by income outflows produced by consumer purchases outside the area and profits extracted by outside owners of community businesses and housing stock. Community savings, deposited at local branch banks, do not serve to build up the community because they are often drawn to higher-profit, shorter term investments in areas perceived as more stable and productive.

The inability of low income area entrepreneurs to provide needed goods and services and of the community to control its available capital allows money to pass through the area without leaving much trace of its passage. Dollars are not captured within the community's economic system and used over and over again thus multiplying their effect. There is therefore no generation of the indigenous profits required for reinvestment and the establishment of a capital base.

Without reinvestment to stimulate growth, the low income community declines. Disinvestment by existing area property owners and businessmen unable to obtain credit and by the reluctance of outside area owners to invest more money, in what they perceive as a slum, acts to further

of public capital.

The essential problem is that the community is isolated from participation in the workings of traditional financial and commercial sectors. Area residents generally do not own property or business enterprises. Even when they are owners, inability to obtain access to traditional sources of credit has hampered their efforts to grow, expand or improve.

The low income community seldom achieves any measure of self-sufficiency or affluence. It depends completely on the larger economy for services, goods and employment. It therefore is unable itself to utilize the capital which does pass through the hands of its residents.

Individuals within low income communities are also hampered in their efforts to obtain the economic benefits of our society. The credit crunch; commodity shortages; inflation; rising prices; the oil crisis; these have all represented major road blocks to any hope for economic progress. Discretionary income which middle and upper income groups have used to meet these emergencies simply is not available in low income areas. Thus, low income groups are forced to make cruel choices between necessities.

The low income individual has not been able to use his earnings to accelerate his own economic well being. Bank lending policies in low income areas have restricted him from fully utilizing his capital. The inability to obtain credit has made it impossible to match income and expenditures. Needing credit, the low income individual has often been forced to buy through more expensive retail credit arrangements or meet the higher demands of finance companies. Money spent paying high interest rates is thereby diverted from savings programs. Lack of savings signifies that the low income person possesses no buffer

against the fluctuations of the economy. He has no extra resources in a time of crisis. Facing a crisis, he is forced to turn to a finance company or a loan shark for even more money.

The situation today is even more serious than in the past. Banks have restricted credit to only their most highly credit-worthy customers. Even finance companies have found that their sources of capital are restricted. Only the loan shark has his usual unlimited source of funds.

The Community Development Credit Union as a Response

If low income communities are to develop and cease to be a drain on the national economy, then they and their residents must be able to develop the basis for a viable economic infra-structure, an economic system which permits and encourages the maximum self-sufficiency and progress. An already existing entity which is capable of acting as a base for such neighborhood economic revitalization is the community development credit union.

The community development credit union is a consumer owned-neighborhood based financial institution. Its neighborhood base and member-developed policy insure that it will act to multiply the effect of existing capital flows for the benefit of area and resident alike. It represents an exciting new and effective way for the poor to "pull themselves up by their collective bootstrap."

The community development credit union, because of its ability to serve its members' needs, is in a unique position to play a key role in assuring the progress and development of low income communities. Most importantly, it measures its success by measuring the success of its members. Its growth is a measure and affirmation of its members' growth.

The community development credit union emphasizes savings and thrift, an important factor in this era of inflation. It extends credit,

based on pooled savings, to those who have been isolated from traditional sources of credit. It assures that credit is extended for provident purposes and that members are well educated regarding the need and use of such credit. Its existence and actions keep capital in the community, circulate such saved capital in useful and productive ways and effectively increase the impact of each dollar entering the community.

The community development credit union is also capable of providing much needed consumer services such as food stamps sales, free check cashing, and consumer education information. It can help a member resolve his financial problems and can act as the manager of his financial affairs. It can be the neighborhood source of tax and accounting information and assistance. It can even assist low income people, who often are the last to receive fuel allotments, by assuring member fuel bill payments and thereby obtaining for them regular customer status.

As an agent for community development, the community development credit union can make business loans, home improvement loans, and education loans. It can co-sponsor other cooperative neighborhood developments and act as a conduit for outside capital into the area.

The Community Development Credit Union - a Brief Description of Current Potential and Problems

The importance of the community development credit union concept as a response to the problems of low income communities is that this neighborhood financial structure already exists. It does not have to be created or developed over a long period of time. It can be utilized immediately to mitigate problems of low income communities and their residents.

The community development credit union concept, as it relates to limited income communities, has a ten year history. It resulted from a cooperative effort among the Credit Union National Association (CUNA),

the Office of Economic Opportunity (OEO) and, the National Credit Union Administration (NCUA) to extend the benefits of credit union membership to previously unorganized low income consumers.

In those early days, they were called limited income credit unions. With OEO funding, CUNA technical assistance and NCUA training, over four hundred such credit unions were established to provide consumer credit to limited income people. Almost immediately, however, these credit unions began to see themselves as much more than sources of consumer credit. Boards of directors and managers throughout the nation realized that they were in the position to play a unique role in the development of their communities. They realized that they must have a commitment to the community where they were located and in which their shareholders lived.

A crisis in funding occurred in the early 1970's. Initiation of new credit unions was halted. Growth and expansion of services was restricted in already existing credit unions. Cutbacks in funding eventually caused many to liquidate. Good management, hard work and a strong community base have enabled community development credit unions to survive even though subjected to such a precarious financial situation. In 1975, over 50% of the original credit unions continue to provide innovative and essential services long after many predicted their certain demise.

Currently, there are more than 250 community development credit unions serving low income communities throughout the United States. (See Appendix A for listing and map). Most of those have between five and seven years of experience in developing innovative approaches to the problems of low income communities and individuals. The examples of services discussed earlier are not hopes or wild dreams but are examples of existing activities of community development credit unions around the nation.

Recently CUNA, with OEO funding and the cooperation and assistance of NCUA which made available gross data on the credit unions studied, carried out a study of the current status and impact of community development credit unions. The study found that the 202 community development credit unions included in the study now serve over 125,000 low income people throughout the United States. They have total assets of $21,539,000 and have loaned over $81,572,000 since their organization. In 1973 they had an average share account growth rate of 30.7% and an asset growth rate of 33.7%, both of which are more than twice the rates of growth achieved by traditional credit unions. Rates of growth for loans outstanding were comparable, and again, more than double the rate of traditional credit unions. In the process of demonstrating solid growth and providing needed loan capital, community development credit unions have enabled low income consumers to enjoy an aggregate saving of almost $5 million in interest charges. (See Appendix B for results of CUNA Study)

The CUNA study suggests promising growth in members and services for community development credit unions over the next three to five years, provided that adequate resources are available. At the same time, the study also showed that community development credit unions presently face some significant, but resolvable, problems in their efforts to serve low income communities and individuals.

The CUNA study included a detailed analysis of financial data supplied by the National Credit Union Administration for 155 community development credit unions for the years 1971-1973. A major purpose of this analysis was to test two hypotheses:

(1) Community development credit unions are viable economic institutions and have played a valuable role in the communities which they serve; and

(2) Community development credit unions could better serve their communities with increased capitalization and further training.

With regard to the first hypothesis, the study concluded that "... (the above facts) suggest that credit unions in our sample are viable economic institutions and have had a significant impact on their communities." At the same time, the study pointed out that "...we have at least 73 of the 155 credit unions which are not making significant progress toward self-sufficiency. While there is no doubt that these credit unions have provided valuable services to their communities, it would appear that many of them exist only because of the subsidies they receive rather than having the subsidies supplement their income during the growth process. Special attention must be paid to this group during any development process and programs must be developed to get these credit unions off dead center and moving toward viability rather than depending upon transfer payments and being satisfied with the status quo."

With regard to the second hypothesis, the study made the following "Conclusions and Recommendations":

1. Community credit unions have been growing significantly faster than other credit unions of comparable asset size.

2. Community credit unions have significantly less liquidity than other federal credit unions of similar asset size.

3. Community credit unions are providing services to their members in excess of those usually provided by credit unions of similar asset size. Often the credit union is not fully compensated for providing these services by the community credit agencies which otherwise would have to provide them.

4. Those credit unions which are not growing at an "acceptable" rate need special help. At present they may not be able to absorb significant amounts of capital without additional management training and data processing capability.

5. Any program designed to increase membership in these credit unions will require additional capitalization as the new members will have loan demand in excess of their short-run ability to save.

6. Significant amounts of capital inputs will be required if many of these credit unions are to have any hope of generating sufficient income to exist without subsidy.

7. High delinquency rates point to a need for additional training as well as the need to free up time for the manager to deal with this problem. A balance must be reached between providing loans to needy members and sound business practices which the credit unions must follow if they are to be successful in the long-run.

8. Planning is a key ingredient to sucess which has been lacking in many of these credit unions. An effort must be made to get each credit union to develop a business plan listing the route by which the credit union plans to achieve self-sufficiency. Also, all credit unions should develop a credit policy and adhere to it.

The proposal which follows is submitted by the National Federation of Community Development Credit Unions and sets forth a program which is designed to build on the strengths and accomplishments of existing community development credit unions, to help them to overcome the problems which they now face and to fulfill their potential as viable and valuable resources in their communities.

The Applicant: The National Federation of Community Development Credit Unions

As community development credit unions grew and expanded efforts to provide new types of services to their members, it became more and more necessary for these various credit unions to cooperate in solving problems, in developing new approaches and in simply exchanging useful information. This need was first expressed in the formation of various associations of community development credit unions on regional, state and city levels. While these associations were important in advancing the cause of such credit unions and in providing for combined resources to resolve problems, there was still a need for some national organization

to articulate their problems on a national level.

The crisis arising from the inability of community development credit unions to obtain share insurance provided the impetus for the first national grouping. An informal group of leaders representing these credit unions met several times in 1971 and 1972 as The Federation of Limited Income Credit Unions to attempt to achieve a resolution to the share insurance problem as well as other important matters. The insistence by the group that poor people must not lose their money and only source of credit through the wholesale liquidation of their credit unions was heeded by OEO and NCUA. Temporary share insurance was permitted and monies were granted to enable these credit unions to qualify for permanent share insurance.

The members of the group continued to maintain informal contact over the next years but there was no effort to establish any more formal structure. Faced with continuing problems, tight money and requiring specialized assistance, the group finally decided in the Spring of 1974 that it must create a strong, permanent voice to speak about the successes and continuing needs of their credit unions. It elected temporary officers, developed by-laws and incorporated. Recognizing its inter-relationship and commitment to the concept of community development, it adopted the name of the National Federation of Community Development Credit Unions. At its first annual meeting in November, 1974, it offered an open forum to delegates from all such credit unions, elected a permanent Board and Officers, and directed its new Board to proceed with the completion of this proposal and to seek its funding under Section 228 of The Economic Opportunity Act of 1964, as amended. (A listing of the Board of Directors and Officers is attached as Appendix C).

II. PROPOSAL SUMMARY

The National Federation of Community Development Credit Unions proposes that it be granted $18 million over a three year period by the Office of Economic Opportunity (OEO). Application for funds is made under Section 228, Consumer Action and Cooperative Programs. Total grant monies will be divided over the three year period as follows:

Personnel	$ 992,450
Non-Personnel	870,500
Credit Union Development Fund	16,137.050

(Annual budgets for each year can be found in Section V)

Funds will be utilized by the Federation to implement an innovative program designed to stabilize and strengthen eligible community development credit unions. The Federation approach calls for a combination of assistance in specialized management and planning, capitalization and planned subsidy. This unique approach is based on the hard-learned experiences of member credit unions and will eventually enable community development credit unions to become viable business enterprises capable of serving all of the financial, financial management and consumer needs of their members.

Monies obtained in this grant request will be divided between technical staff costs and capitalization development fund. Technical staff monies will be administered by the Federation to implement specialized management and planning assistance segments of the work plan. Capitalization development monies, including small funds for staff expenses, will be administered by a separate, delegate board of directors and small support staff to implement programs for capital infusion, planned subsidy and acquisition of data processing capability designed to strengthen and expand services of recipient credit unions.

The Federation is convinced that its program will not only strengthen

community development credit unions but also enable them to serve as the base for economic redevelopment in low income communities. The Federation plan will enable participating credit unions to:

1. Satisfy loan demand of their low income members for low cost loans.

2. Increase income.

3. Attract increased membership (and therefore assets) by enabling the payment of more substantial dividends.

4. Achieve complete self-sufficiency.

5. Obtain operations subsidy assistance until they reach self-sufficiency.

6. Diversify loan portfolios to include business, home repair and higher education loans as well as more traditional consumer loans.

7. Provide more services more efficiently.

8. Acquire needed data processing

9. Generally, to become a full-service neighborhood financial institutions whose momentum will insure continued growth and sufficient income over the long run.

In addition, the Federation plan, by strengthening community credit unions, will have the following important national implications:

1. Strengthen the base for building the economic infra-structure needed for initiating rational economic and social development within low income areas.

2. Provide low income communities with an effective means of controlling their financial resources and goals.

3. Increase the impact of each dollar - public and private - entering low income areas by insuring continuing re-investment in those same areas.

4. Act to inhibit chronic negative flows of income which now drain low income areas.

5. Provide an indigenous source of capital for minority and low income business development.

6. Provide a way for low income people to invest in the growth of their own communities by assuring that, while depositing savings in a community development credit union, they receive a rate of return comparable to that available from other sources of the financial community, considering the value of the extra services provided by the credit union.

7. Provide expertise and data to the entire credit union movement as that movement moves toward a goal of making membership available to all Americans by 1980. Community development credit unions as the vanguard of this concept can assist others in the credit union movement by drawing from their experience in providing financial services to communities rather than to associations or religious or employee groups. In addition, community development credit unions can serve as a source of relevant experience and information to those traditional credit unions who through expansion of their field of membership now serve entire low and limited income communities.

III. WORK PLAN FOR ACHIEVING GOALS

* Administrative Responsibility and General Structure
* General Work Description
* Essential Components of the Work Plan

Administrative Responsibility and General Structure

Because of the unique experience gained by community development credit unions in their successful efforts to survive, it is essential that the work program be carried out by representatives of these credit unions. Thus, the Federation, as the national representative of community development credit unions, will have the prime responsibility for insuring that policy decisions concerning the program be in the hands of program beneficiaries. To implement this concept the Federation will receive and make provisions for the administration of all funds.

The Federation requires a certain amount of administrative funds to carry out its objectives in the overall work program. Control of these funds will remain in the hands of the Federation. Since monies for subsidy and capitalization will be going to credit unions which are members of the Federation, the Board of the Federation proposes that these monies be deposited in a separate Credit Union Development Fund where they will be the responsibility of a separate Board of Trustees representing the Fund. The agreement delegating responsibility for these monies to the Fund will be subject to OEO approval and will contain all necessary criteria for awarding grants to applicant credit unions.

Members of the Board of Trustees of the Fund will be appointed by the Board of Directors of the Federation subject to the approval of OEO. The five members will include the president of the Board of Directors of the Federation ex-officio and four others, none of which may be members of the Federation Board. In addition, the Federation proposes that, initially, one of these four trustees be a representative of the Credit Union National Association (CUNA).

General Work Description

Eligible credit unions will make application to the Federation for assistance in achieving self-sufficiency. Federation staff will then initiate a working relationship with the credit union. Staff will work with credit union personnel in resolving any immediate, pressing technical problems which are inhibiting growth and stable operations. They will then assist the credit union board of directors and management in preparing a comprehensive business plan which details programs and procedures by which the credit union can achieve the goals outlined in the plan and sets forth the need for planned subsidy, capitalization, data processing services and specialized management assistance. The plan will also state clearly the time period over which the assistance will be required and will indicate when a staged withdrawal of the capital infusion and planned subsidy may occur.

After approval by the board of directors of the applicant credit unions, these business plans will be submitted for consideration by the Trustees of the Fund. Staff of the Fund will review the plans; arrange for an audit of the credit union by an independent auditor; and carry out an onsite visit by a special business evaluation team. The evaluation team will include as members: a Trustee of the Fund; a staff member of the Fund; a business, financial or community resource person from the applicant credit union's geographic area; a CUNA League Representative; and anyone else deemed necessary to evaluate the proposal of the credit union. The evaluation team will analyze the credit union's operations and report to the Trustees of the Fund their assessment of the credit union capability to carry out its business plan as well as evaluation of the feasibility of the plan itself.

Based on information obtained from the business plan, the independent audit and the evaluation team's report, the Board of Trustees of the Fund will consider the credit union's request. In reaching a final decision, the Trustees will pay special attention to: past growth and management; potential for future growth; committment to community service; and attitudes of the manager, staff and board of directors of the credit union.

If their deicision is favorable they will then disburse whatever combinations of monies for capitalization, planned subsidy and/or data processing equipment that is specified by the business plan pursuant to a written agreement between the Fund and the Credit Union. Conditions and restrictions on disbursements and terms for eventual repayment will be determined by the Trustees at the time of disbursement and will be included in the agreement. Federation staff will constantly monitor the progress of the recipient credit union in terms of the goals set forth in the business plan. Staff will monitor the needs of the credit union and will report to the Trustees any changes in status which might change the capitalization or subsidy requirements of the credit union. The Fund will evaluate any request for additional capital or subsidy on its merits within the context of the overall business plan. Should a recipient credit union show no significant progress toward achieving goals and no interest in making needed changes, Federation staff will recommend to the Fund that a progress review be undertaken regarding the feasibility of continued Fund involvement with said credit union.

Should the Trustees feel that the applicant credit union is not fully prepared for the program described in their business plan

(Retyped at the ERIC Clearinghouse in Career Education)

They will refer the proposal back to the Federation, noting their areas of concern and reasons for rejecting the plan. When possible, the Federation will continue to work with the credit union to attempt to resolve the concerns of the Fund so that the plan might be resubmitted for reconsideration at a later date.

Essential Components of the Work Plan

A. The Business Plan

The business plan will serve as the principal analytic tool of the Federation. It will be the basis for implementing rational expansion and growth in applicant credit unions. It will be the vehicle for collecting data regarding past activities, analyzing growth potential, drawing up financial projections, estimating capital and/or subsidy needs, setting goals and specifying technical and operational needs. The preparation of this plan will, in itself, represent technical assistance because it will inject emphasis on planning, goal setting, and sound business practice into the credit unions' operations.

The following represents a general outline of information to be developed and included in the business plan:

1. Market Analysis
   - Economic, demographic and business activity descriptions
   - Determination of area deposit potential
   - Identification of competition
   - Analysis and estimation of loan demand
2. Current Business Practice and Productive Analysis
   - Past growth and services
   - Sources of existing deposits

(Retyped at the ERIC Clearinghouse in Career Education)

- Analysis of types of loans, loan losses and delinquency
- Liquidity and Loan/Share Ratio
- Accounting practices and management control

3. Financial Plan

- Analysis of asset growth, income and expenses
- Annual income statement and balance sheet
- Projection of growth of assets and income after infusion of capital needed to meet loan demand
- Projection of increased member-share growth
- Projection of growth of income in relation to expenses

4. Technical and Operational Analysis and Plan

- Evaluation of qualities and apparent capabilities of existing personnel
- Evaluation of quality and appearance of existing quarters and equipment
- Evaluation of costs for providing services versus income generated by services
- Evaluation of current marketing techniques
- Evaluation of operational procedures
- Required technical assistance needed to improve staff and management capabilities, improve office location and equipment, improve operational procedures and improve office security
- Recommended subsidy to provide non-income producing services and enable operation until self-sufficiency is reached
- Recommendation of the addition of data processing
- Market capture strategy and sales plan
- Listing of goals and drawing up of a time plan for the achievement of stated goals

Examples of several existing business plans can be found in Appendix D.

B. Technical Assistance Services

Technical and management assistance will be the method by which the Federation assists member credit unions in achieving increased growth, stability and proficiency. It will be provided to all member credit unions to the extent feasible. It will attempt to resolve specific problems of member credit unions as these problems occur. However, the Federation views the bulk of its assistance service as being directed to the preparation and implementation of credit union business plans.

Specific planned technical assistance to be provided to a particular credit union will be specified in detail in the technical and operational segment of the business plan. This will include the more traditional services as well as services which are not presently available to member credit unions. The traditional services include: bookkeeping; delinquent loan control; legal conformance to procedure; and staff and committee training. In addition, Federation staff will provide important new areas of technical assistance. Long range planning assistance will be provided in the preparation and updating of the business plan. Staff will also assist the credit union management in: techniques of loan portfolio diversification; money management; improvement of operational procedures, office efficiency, office security; and marketing. Assistance will also be provided in the areas of securing additional non-member deposits from the private sector as well as securing training in the use of the data processing equipment as described in the business plan.

As part of the technical assistance effort, the Federation will identify persons willing to provide consulting services to member credit

unions. Special emphasis will be made to identify persons within the Federation membership who can provide such services. Such resource persons will be in the area of law, finance, credit unions, business management, fund raising, marketing and communications. These resource persons may assist in the initial preparation of the business plan or be available to assist credit unions on the basis of their development needs.

C. Capitalization Program

The Federation's capital infusion program is designed to solve a major problem of community development credit unions; that is the inability in the short-run to accumulate enough capital through member deposits to achieve economic self-sufficiency. The inability to accumulate capital inhibits the credit union's ability to meet loan demand, restricts income and this, coupled with high expenses, reduces the viability of the credit union. It also potentially reduces the incentive of area residents to participate in the credit union as dividends remain low.

The capital infusion program, operated by the Credit Union Development Fund, will seek to increase the capital available to community development credit unions to the point where they can adequately meet loan demand and become economically self-sustaining. During each year of the grant period, the Federation will delegate $5.4 million of the grant monies received through this proposal to the Fund for its overall programing. The majority of these monies will be used for the purpose of capitalization. In addition, both the Federation and the Fund will actively work to attract capital for community development credit unions

from the private sector, from foundations and from religious groups. The Fund would act as a national clearing house for capitalization monies secured from these groups. Monies could come directly to the Fund and then be channeled to member credit unions or the Federation could direct the prospective depositor to a community development credit union in its particular geographic area.

The amount of capital supplied to a particular credit union will be specified in the financial segment of the business plan prepared by the credit union with the aid of the Federation staff. It will be based upon demonstrated loan demand as well as projections of the credit unions's ability to absorb additional funds. The loan demand will be projected using management evaluation of past growth patterns, analysis of member demand for loans from competitors, studies of SBA activity within the geographic area and factors such as the presence of competition, community financial data and marketing possibilities.

Small capital infusion amounts will be deposited in the recipient credit union in one lump sum. Larger scale capital infusion will be accomplished by means of a schedule of capitalization. This schedule, which will be included in the business plan, will provide for phased increases of capital to match demonstration of the recipient credit unions' ability to effectively utilize previous capital infusions. Phased capital infusions will proceed by schedule until capitalization reaches a point, specified in the business plan, where self-sufficiency should be assured. Such a phased program is essential to assist the Fund in its own financial planning and in assuring the acquisition of good money management techniques by the recipient credit union.

Capital infusion will be effected by the establishment of a non-member share account at the recipient credit union in the name of the Fund. These non-member deposits will earn dividends at the rate declared by the credit union.

Dividends earned on such deposits will be paid to the Fund. The Fund will deposit such dividends in a separate account. The Federation will then utilize those monies for purposes which it deems necessary subject to the approval of OEO. The Federation suggests that such monies eventually be used to support its programs of technical assistance after the termination of the three year grant period.

After the recipient credit union reaches and demonstrates self-sufficiency, the Fund will initiate a program of staged withdrawal of its deposit. The schedule for withdrawal will be specified in the business plan and will be based on the growth of member deposits. Increased member deposits will begin to offset the need for the continued presence of outside capital. It is important, however, that the lending capability of the credit union not be abruptly arrested. Thus the withdrawal schedule is important in specifying a balance between the rate by which the Fund withdraws its deposit and the rate by which increase in member deposits pushes total assets up. Phased withdrawal will require the constant supervision of Federation staff to insure that there be no damage to the credit union.

As deposits are withdrawn, they will replenish the Fund. Trustees of the Fund will thus have a continuously replenished source of capital for use to stimulate and strengthen community development credit unions.

D. Planned Subsidy Program

The Federation program of planned subsidy will enable the recipient credit union to operate until it reaches a loan volume size adequate for self-sufficiency. The subsidy will provide, at least, a short-term answer to community development credit unions' burden of the high cost of providing non-income producting services.

Subsidies may either be direct, indirect or a combination of the two. Direct subsidies would involve a cash grant specifically targeted toward supporting certain salaries or other expenses. Indirect subsidies could be provided by returning dividends earned by the Fund on its non-member account at the credit union or by increasing the amount of capital deposited at the credit union. This latter method would increase the amount of capital infusion above that called for in the business plan with the stipulation that such excess capital be invested in certificates of deposit or through the CUNA sponsored ICU government securities program. Income earned on such investments could then be used by the credit union to reduce or eliminate the need for any cash subsidy.

Direct subsidy monies will be disbursed directly to the recipient credit unions according to a schedule presented in the business plan. This schedule will specify diminishing subsidy rates as income from increased loan volume increases. Decreasing subsidy needs will also be related to more efficient operations within the credit union. Such efficient operational procedures will be specified in the plan and their implementation will be assisted by Federation staff.

Trustees of the Fund will be empowered to set the conditions for receipt of such subsidy money and to decide whether repayments of subsidy disbursements is feasible or necessary.

E. Data Processing

As part of its overall program to increase the efficiency and profitability of community development credit unions, the Federation intends to specify that a segment of those monies delegated to the Fund be utilized for the acquisition of data processing capability by member credit unions. Leasing or acquisition of such equipment will reduce the enormous amount of time now required to accomplish non-income producing activities such as bookkeeping, accounting and posting. It will enable member credit unions to redirect their available resources to activities which are more productive.

Data processing capability will enable community development credit unions to increase their effectiveness and importance to the community. It will move these credit unions into the modern age of record keeping and financial management.

It will be especially important in assuring that these credit unions will be able to receive the direct deposit of members' transfer payments, a new development which is sure to affect many community development credit union members.

The Treasury Department is already experimenting with the direct deposit of all transfer payments (social security, disability, veterans and public assistance payments.) Under this new plan, the recipient of such government assistance designates a financial institution which then receives his payment directly from the Treasury Department and credits his personal account. Such deposits and the subsequent crediting of accounts are accomplished through electronic funds transfer (EFT) and require data processing capability. Because of the nature of communities which they serve, many community development credit

(Retyped at the ERIC Clearinghouse in Career Education.)

union members receive government assistance. Current members and other low income residents of the community could be expected to designate their financial institution, their credit union, as the recipient of their assistance payment. The inability to receive such deposits, due to the lack of data processing capability, would inevitably lead to the loss of membership to financial institutions which are equipped to provide such services. Thus, low income people would, by advances in technology, be forced to abandon the financial institution which is most uniquely constituted to answer their needs.

With the advent of direct deposit not only of government assistance but payroll checks, it becomes important for community development credit union members to be able to get their money out readily and conveniently. Current procedures require that the member visit his credit union office each time he needs to make a withdrawal. It is obvious that, with all income being deposited directly, a more convenient method of withdrawal must be adopted. CUNA has developed a system, the share draft, which it hopes will enable all credit unions to provide better services in this respect to their members. The share draft, a combination of a paper draft with the principles of electronic funds transfer, will enable credit union members to draw on their accounts without actually visiting the credit union (See Appendix E). The share draft will not only make utilization of the community development credit union more convenient but will also enhance its capability for providing financial counseling. Once again, however, data processing capability is the key element in assuring that these credit unions continue to provide relevant service to their members.

Data processing capability will also increase the efficiency and profitability of the credit union. It will considerably shorten time spent on bookkeeping, accounting and posting. It will reduce the possibility of errors and thereby reduce losses. It will provide a greater control over delinquency and thereby increase profitability.

Need, immediate or projected, for data processing equipment will be specified in the technical and operational plan segment of the business plan. Federation staff will assist the credit union in selecting that type of equipment needed for its specific operations and in securing needed training in its operations and utilization.

F. Evaluation

Federation staff will undertake ongoing evaluation of the progress of all member credit unions receiving technical, capitalization or subsidy assistance. Evaluation will be based upon monthly achievement goals specified in the business plan and agreed to by the Fund and the respective credit union board. It will be designed to pin point potential long range problem areas and to immediately resolve any short-term crisis.

The participating credit union will be asked to submit monthly reports to its Federation field representative. This report will speak to that credit union's achievement of the stated goals for that month. These goals may be in the areas of asset growth, member growth, reduction of expense, increase in interest income, delinquency control, etc. As a complement of such monthly reports, the field representative will also make a quarterly site visit.

Federation field representatives will prepare a quarterly progress report based on data collected during the site visit and the

monthly reports. These quarterly progress reports will be presented to the quarterly meeting of the Board of the Federation. The Board will then notify the Trustees of the Fund regarding the status of each credit union by providing copies of the individual reports. The Fund review process will proceed as described previously.

IV. STAFF REQUIRED TO IMPLEMENT WORK PLAN

National Federation of Community Development Credit Unions

Executive Director

1. Provides overall direction and leadership to staff or implementation of the Federation's program.

2. Motivates client credit unions' leadership goups (board of directors and management) towards achievement of individualized action growth plans.

3. Develops productive relationships with CUNA Leagues in each state where member credit unions are located.

4. Maintains constructive contact with National Credit Union Administration and appropriate regional offices.

5. Actively works to interest the private sector, foundations and religious groups in participating in the Federation's capitalization program.

6. Works closely with the Directors of the Fund to identify potential private capitalization sources according to special appeal and geographic area of individual member client credit unions.

7. Prepares quarterly reports for the Federation Executive Board and recommends matters for policy decision.

8. Develops patterns for integration of the Community Development Credit Union as a unit in neighborhood economic development programs.

Deputy Executive Director

1. Supervise and assist field representatives in accomplishing their work.

2. Work closely with Techinical Assistance and Information Services consultants to channel available resources and public relations communications assistance through field representatives to member credit unions.

3. Evaluate performance of field representatives.

4. Evaluate business plans of member credit union to verify comprehensiveness.

5. Establish working relationships between the Federation, CUNA Leagues, government and regulatory agencies.

Field Representatives

1. Establish working relations with area community credit unions.

2. Prepare business plan for area community credit unions.

3. Provide all necessary technical and management assistance services.

4. Utilize resource people to answer needs of area community credit unions.

5. Assist community credit unions in administering and effectively utilizing capitalization and subsidy monies.

6. Evaluate progress of participating credit unions.

7. Identify and respond to the special needs of individual community credit unions.

8. Prepare quarterly progress reports for the Board of Directors of the Federation.

Credit Union Development Fund

Director

1. Provide overall direction and leadership to staff for implementation of the activities of the Fund.

2. Provide periodic written reports to the Board of Trustees.

3. Review business plans submitted to the Fund by the Federation.

4. Recruit and supervise special business evaluation teams.

5. Prepare recommendation to Board of Trustees regarding feasibility of providing capitalization to applicant credit unions.

6. Review evaluation reports of Federation staff regarding progress of community credit unions.

Deputy Director

1. Evaluate business plans submitted by Federation staff.

2. Assist in assembling and supervising special business resource teams.

3. Arrange for audits of applicant credit unions.

4. Assist director in all other tasks.

V. BUDGET

Total Personnel

National Federation of Community Credit Unions

	YEAR 1	YEAR 2	YEAR 3
Executive Director	$24,000	$26,000	$28,000
Deputy Director	20,000	22,000	24,000
Field Specialists (10)	160,000	170,000	180,000
Administrative Secretary	10,000	10,500	11,000
Clerk Typist	7,000	7,500	8,000
	$221,000	$236,000	$251,000
Credit Union Development Fund			
Director	$24,000	$26,000	$28,000
Deputy Director	-	18,000	20,000
Administrative Assistant	12,000	13,000	14,000
	$36,000	$57,000	$62,000
Total Personnel	$257,000	$293,000	$313,000
Fringes 15%	38,550	43,950	46,950

Non-Personnel

	YEAR 1	YEAR 2	YEAR 3
Rent & Utilities	$ 24,000	$ 24,000	$ 26,500
Telephone	18,000	18,000	18,000
Consumable Supplies	10,000	11,000	12,000
Office Equipment	25,000	25,000	10,000
Travel			
(a) Field Representatives	75,000	80,000	85,000
(b) Other Federation Staff	10,000	10,000	10,000
(c) Fund Staff/Trustee	8,000	10,000	12,000
(d) Resource Team	2,000	5,000	10,000
Audit	17,500	35,000	35,000
Consultants	60,000	60,000	60,000
Meetings/Conference	22,000	25,000	28,000
Total Non-Personnel	$271,500	$293,000	$306,000
Total Operating Expenses	$567,050	$629,960	$665,950
Credit Union Development Fund	$5,432,950	$5,370,050	$5,334,050
Total Grant Request	$6,000,000	$6,000,000	$6,000,000

VI. CONCLUSION

In the 1960's, limited income credit unions were established with the hope that they could make credit and savings opportunities available to low income people. They were hampered by lack of capital. Their management was often poorly trained. Tendencies to utilize good business planning methods were often discouraged by the availability of unplanned subsidies which, in the long run, did not really improve the basic stability of their operations. They were disparaged and were considered to be doomed to failure.

Yet, as the CUNA study points out, many of these credit unions have moved confidently into the 1970's. They have demonstrated strength, a capacity to grow and the ability to provide services uniquely designed for their particular membership. Considering the odds which they were compelled to face, it is natural that there was a high rate of failure. Many critics point to this past rate of failure as proof positive that such credit unions will never succeed. However, experience has shown that these credit union failures were not necessarily related to their ability to function as viable financial institutions. Those that remain have proven the viability of their concept.

Limited income credit unions have become community development credit unions with committments to their communities as well as their members. They fact the future with confidence in their ability to continue to grow. Their national association, the National Federation of Community Development Credit Unions, has developed this proposal to insure that community development credit unions continue as vital, effective instruments in accomplishing low income community development. This proposal's basic goal is to bring community development credit unions into the mainstream of the American economic system. Its approval will assist implementation of modern business and financial

(Retyped at the ERIC Clearinghouse in Career Education)

techniques. Self-sufficiency will be attained by increasing the availability of capital and inducing increased growth of membership. All phases of the program will be carried out through carefully developed planned action.

The CUNA study projected that the sample of 155 studied community development credit unions will have:

1. Assets of $22.7 million by the end of 1974 and $30.6 million at the end of 1975.
2. Shares totalling $18.2 million at the end of 1974 and $24.6 million by the end of 1975.
3. Loans outstanding equalling $18.1 million by the end of 1974, $24.5 million at the end of 1975.

The Federation proposal estimates that, by 1980, with the requested three year funding described in this proposal, the following growth can be expected in the whole community development credit union movement.

1. Assets of $85 million
2. Shares totalling $81 million
3. Loans outstanding equalling $81 million
4. Data processing capability acquired by all currently viable community development credit unions.

At that time, the majority of currently existing community development credit unions will have reached self-sufficiency. Those, which are viable but which have not yet reached the state of self-sufficiency will be well on their way to success. In addition, the Credit Union Development Fund will begin to be replenished by staged withdrawals from the most stable and self-sufficient of the credit unions. It will remain as a stimulus for further growth as well as an incentive, an aid for newly established community development credit unions.

The Federation feels that these goals can be achieved by its staged program and that the goals and the benefits which they promise to the totality of American society justify the requested scope of federal participation.

VII. APPENDICES

A. Listing of Community Development Credit Unions by State

B. CUNA Study of Existing Community Development Credit Unions

C. Listing of Officers and Members of the Board of Directors of the National Federation of Community Credit Unions

D. Examples of Credit Union Business Plans

E. "The National Share Draft System" - A Reprint from Credit Union Magazine

APPENDIX A:

Listing of Community Development Credit Unions
by State

As of 7/31/74

Community Credit Unions

Alaska

Anchorage Area Comm Act FCU
325 3rd Ave E
Anchorage, AK 99501
907/279-7457

Alabama

East Alabama FCU
PO Box 1652
Auburn, AL 36830
205/821-8336

Ensley Neighborhood FCU
201 19th Street
Ensley, AL 35218
205/781-3618

Lowndes County FCU
PO Box 205
Hayneville, AL 36040
205/563-7382

Roosevelt City FCU
301-B Brighton Ave
Roosevelt City, AL 35020
205/426-1261

Seasha Federal CU
PO Box 1080
Tuskegee Institute, AL 36088
205/727-2340

Tri-Cities Federal CU
PO Box 211
Clayton, AL 36016
205/775-3729

Wilcox County FCU
PO Box 395
Camden, AL 36726
205/682-9590

Arkansas

College Station Comm FCU
Rt 2 Box 564
Little Rock, AR 72201
501/375-1211

Arizona

Chandler FCU
323 S Arizona Ave
Chandler, AZ 85224
602/963-6276

Colorado River Tribes FCU
Rt 1 Box 11
Parker, AZ 85344
602/669-2124

Guadalupe Organization FCU
8810 South 56th St
Guadalupe, AZ 85281
602/839-3009

Leap Credit Union
21 E Broadway
Phoenix, AZ 85040
602/262-7348

Manzo Area Council FCU
728 N Stone Ave
Tucson, AZ 85705
602/624-9691

Navajoland Credit Union
PO Box 383
Window Rock, AZ 86515
602/871-4767

Victory Acres FCU
2150 E Orange Street
Tempe, AZ 85281
602/968-3425

White Mountain FCU
CAP Office
Box 426
Whiteriver, AZ 85941
602/338-4521

California

Bay View Hunters Pt CU
1611 Talou Ave
San Francisco, CA 94124
415/648-3474

Buena Vista CU
917 N Court St
Visalia, CA 93277
209/732-3943

CAP Credit Union
113 N Gibraltar St
Oxnard, CA 93030
805/483-8371

Community Action CU
Concerted Services
Columbia Circle
Pittsburg, CA 94565
415/432-3823

Compton Willowbrook Enterprise
CCA EFCU
227 E Compton Blvd
Compton, CA 90220
213/537-1650

Delta Sigma Theta Headstart FCU
4343 Crenshaw Blvd
Los Angeles, CA 90008
213/733-8673

Dinuba District CU
192 North L St
Dinuba, CA 93618
209/591-2069

East Oakland CU
9500 E 14th St
Oakland, CA 94603
415/635-8798

El Centro Comm FCU
PO Box 1831
El Centro, CA 92243
714/352-6861

El Futuro Credit Union
10 North Main
Porterville, CA 93257
209/784-7901 Ext. 209

El Porvenir FCU
PO Box 103
Rutherford, CA 94573
707/944-2616

El Progreso CU
315 West Tulare St
Tulare, CA 93274
209/688-8793

Farm Workers CU
PO Box 74
Keene, CA 93531
805/725-9750

Firebaugh Community FCU
PO Box 426
Firebaugh, CA 93622
209/659-2912

Ft Yuma Community FCU
PO Box 686
Winterhaven, CA 92283
714/572-0771

GSG Community FCU
PO Box 604
Gonzales, CA 93926
408/678-3907

Inner Unity FCU
PO Box 2085
Merced, CA 95340
209/723-4565

Mission Area FCU
PO Box 40306
San Francisco, CA 94140
415/282-7907 (Treas Home)

North Oakland Community CU
1299 55th Street
Oakland, CA 94608
415/655-8425

The Peoples Credit Union
PO Box 843
Long Beach, CA 90801
213/591-8787 Ext. 25

PPCP Federal CU
705 Bissell Ave
Richmond, CA 94801
415/234-6186

Progreso De Planada y Le Grand FCU
PO Box 26
Planada, CA 95365
209/382-0234

Riverside Community CU
PO Box 306
Riverside, CA 92507
714/682-3781

Sacramento Branch NAACP CU
2413 27th Street
Sacramento, CA 95818
916/452-6761

Trabajadores Campesinos FCU
605 W H Street
Brawley, CA 92227
714/344-6300

Tracy Credit Union
91 W First St
Tracy, CA 95376
209/835-0425

Venice Credit Union
324 S Lincoln Blvd
Venice, CA 90291
213/392-4811 Ext. 258

Watts United CU
1619 E 103rd St
Los Angeles, CA 90002
213/564-7854

Colorado

Hope Coronado FCU
217 South Wahsatch Ave
Colorado Spg, CO 80903
303/632-1258

United American FCU
PO Box 1283
Cortez, CO 81321
303/565-7044

Connecticut

Need Action FCU
35 Bishop St
Waterbury, CT 06704
203/756-2185

Norwalk Community FCU
PO Box 188
South Norwalk, CT 06854
203/866-2464

St Benedicts FCU
5 Clark St
Hartford, CT 06120
203/247-6400

University Park Comm FCU
73 Dixwell Ave
New Haven, CT 06511
203/624-9807

District of Columbia

Anacostia Southeast FCU
1918 Martin L King Ave SE
Washington, DC 20020
202/678-2660

Armstrong Neighborhood FCU
1502 North Capitol St
Washington, DC 20001
202/232-1580

Change Inc. FCU
1413 Park Rd NW
Washington, DC 20010
202/387-4412

Far East FCU
622 Division Ave NE
Washington, DC 20019
202/396-7700

Fides Community FCU
1722 7th NW
Washington, DC 20001
202/462-2663

Friendship House Community FCU
520 Eighth St SE
Washington, DC 20003
202/543-5430

Hospitality House Community FCU
1104 H St NE
Washington, DC 20002
202/397-4131

Peoples United FCU
2436 1/2 18th St NW
Washington, DC 20009
202/332-7567

Southwest House FCU
1251 Carrollburg PL SW
Washington, DC 20024
202/488-7142

Delaware

North Brandywine FCU
McCabe Mem United Meth Church
22nd & Baynard Blvd
Wilmington, DE 19802
302/652-0326

North East Wilmington FCU
825 827 East 28th St
Wilmington, DE 19802
302/762-2655

PSA UNP FCU
1213 B St
Wilmington, DE 19801
302/655-6543

Seaford FCU
PO Box 146
Seaford, DE 19973
302/629-7979

Smyrna Clayton FCU
PO Box 331
Smyrna, DE 19977
302/653-8817

West Wilmington FCU
PO Box 2828
Wilmington, DE 19805
302/654-2436

Florida

Brownsville FCU
PO Box 305
Miami, FL 33147
N/A

Culmer FCU
PO Box 610[illegible] Station B
Miami, FL 33136
305/758-4542

Freewill FCU
448 SW Avenue E
Belle Glade, FL 33430
305/996-7659

Gold Coast CA Federal CU
1340 West 8th St
Riviera Beach, FL 33404
305/844-0247

North Broward FCU
927 NW 6th St
Pompano Beach, FL 33060
305/934-3033

Putnam County FCU
PO Box 748
Palatka, FL 32077
904/328-1320

VCR Federal Credit Union
PO Box 2116
Daytona Beach, FL 32015
904/252-2541

Georgia

Atlanta Model Cities FCU
673 Capitol Ave SW
Atlanta, GA 30315
404/523-2745

Bond Community FCU
PO Box 5201
Atlanta, GA 30307
404/688-0594

Camden County Community FCU
PO Box 475
Woodbine, GA 31569
912/576-5839

Clarke Community FCU
Neighborhood Service
System 130 Hickman Dr
Athens, GA 30601
404/549-3661

Lithonia FCU
PO Box 276
Lithonia, GA 30058
404/482-6407

Stewart County FCU
PO Box 452
Lumpkin, GA 31815
912/838-4824

Ware County FCU
PO Box 1381
Waycross, GA 31501
912/283-0427

West Savannah FCU
PO Box 2303
Savannah, GA 31404
912/232-2082

Hawaii

Waianae Coast FCU
85 841 Farrington Hwy
Waianae, HI 96792
808/696-6117

Iowa

EEE Credit Union
1201 Walnut St
Des Moines, IA 50307
515/279-1130

Outreach Credit Union
3752 H Ave NE
Cedar Rapids, IA 52402
319/364-4109

SCICAP Credit Union
Court House
Leon, IA 50144
515/872-2329

Illinois

Beacon Community FCU
1440 S Ashland Ave
Chicago, IL 60608
312/226-5069

Christian Action Ministry FCU
3932 W Madison
Chicago, IL 60624
312/826-9300

Fifth City FCU
3425 W 5th Ave
Chicago, IL 60624
312/638-5852

Greater Lawndale FCU
3222 W Roosevelt Rd
Chicago, IL 60624
312/826-1888

TUF Federal Credit Union
1441 N Cleveland
Chicago, IL 60610
312/337-1310

Indiana

Allen County Peoples FCU
436 E Douglas Ave
Ft Wayne, IN 46802
219/423-3546

Atterbury FCU
PO Box 217
Building 1013
Edinburg, IN 46124
812/526-5581

BBJ Federal Credit Union
915 11th St
Columbus, IN 47201
812/372-8407

Indianapolis Model Cities FCU
2333 N Station
Indianapolis, IN 46218
317/545-2127

West Washington Assoc FCU
1045 W Washington Ave
South Bend, IN 46601
219/234-6041

Kansas

Brag FCU
40 S 13th St
Kansas City, KS 66102
913/321-2508

Hesston Credit Union
PO Box 40
Hesston, KS 67062
316/327-4144

Wichita Cudahy Empl CU
2300 N Broadway
PO Box 578
Wichita, KS 67219
316/267-8261

Kentucky

Community Action FCU
PO Box 1251
Lexington, KY 40501
606/254-9354

Danville Plant CGW FCU
PO Box 88
Danville, KY 40422
606/236-3100

North East KY CAP FCU
PO Box U
Olive Hill, KY 41164
606/286-4443

Louisiana

A & M Pest Control FCU
3601 Hessmer Avenue
Metairie, LA 70002
504/888-1640

Central City FCU
1626 Dryades St
New Orleans, LA 70113
504/524-0395
504/522-2752

CRCGC FCU
PO Box 1267
Covington, LA 70433
N/A

Delta Valley FCU
407 Walnut St
PO Drawer 352
Tallulah, LA 71282
318/574-2168

Desire Area FCU
2642 Desire St
New Orleans, LA 70117
504/949-7512

Le Moyne FCU
PO Box 506
Plaquemine, LA 70764
504/687-4020

Ninth Ward FCU
2101 Flood Street
New Orleans, LA 70117
504/944-0172

PA Federal Credit Union
PO Box 1089
Crowley, LA 70526
318/783-7610

SJSH Federal CU
PO Drawer F
Reserve, LA 70084
504/536-2818

St Bernard Area FCU
3838 St Bernard Ave
New Orleans, LA 70122
504/944-0253

St Jules FCU
PO Box 432
Franklin, LA 70538
318/828-4602

Vermilion Parish FCU
PO Box 578
Abbeville, LA 70510
318/893-3973 Ext. 69

Zachary Community FCU
Zachary Neighborhood Service Cntr
3541 Highway 19
Zachary, LA 70791
504/654-6751

Massachusetts

Corenco Employees CU
Consolidated Rendering Co
525 Woburn St
Tewksbury, MA 01876
N/A

Duxbury FCU
PO Box 1350
Duxbury, MA 02332
617/934-6231

Food Store & Allied Workers
Local 592 FCU
512 Gallivan Blvd
Dorchester, MA 02124
617/825-4230

Freedom House CU
14 Crawford St
Dorchester, MA 02121
617/445-4720

Holyoke Municipal ECU
206 Maple St
Holyoke, MA 01040
413/532-7007

Hull Mass FCU
Box 357
Hull, MA 02045
617/925-0379

Mass Half-Way Houses FCU
Back Bay Annex
PO Box 348
Boston, MA 02116
617/261-3851

Notre Dame Parish FCU
659 Eastern Ave
Fall River, MA 02723
617/676-1067

Paul Cuffe FCU
15 Worchester St
Boston, MA 02118
N/A

Santo Christo FCU
149 Columbia St
Fall River, MA 02721
617/673-9210

Southwest Quincy FCU
372 Granite St
Quincy, MA 02169
617/472-3642

St Jean Baptiste FCU
9 Stockton St
Fall River, MA 02721
617/672-6575

St Michaels Fall River FCU
60 Garside St
Fall River, MA 02720
617/674-3861

West Central Area FCU
519 County St
New Bedford, MA 02740
617/992-1186

Maryland

A CO CA Federal CU
114 Hanover St
Cumberland, MD 21502
301/724-5490

CEDAAAC Federal CU
145 West St
Annapolis, MD 21401
301/268-4800

Cherryhill Community FCU
2553 Round Rd
Baltimore, MD 21225
301/355-5841

CNTR Frederick Community FCU
188 West All Saints St
Frederick, MD 21701
301/663-9018

DOR WIC Federal CU
Post Office Building
Salisbury, MD 21801
301/742-3633

Mid West Inner City FCU
758 Dolphin St
Baltimore, MD 21217
301/539-4088

Northeast Baltimore FCU
706 North Gay
Baltimore, MD 21202
301/276-1800

Northwest Inner City FCU
1031 N Calhoun St
Baltimore, MD 21217
301/462-6366

South Baltimore Inner City FCU
665 Washington Blvd
Baltimore, MD 21230
301/752-3351

South West Inner City SWIC FCU
310 N Arlington St
Baltimore, MD 21223
301/728-1500

Southeast Baltimore FCU
1404 E Baltimore St
Baltimore, MD 21231
301/276-5700

St Mary's County FCU
PO Box 34
Hollywood, MD 20636
301/373-2227

Maine

Bowdoinham FCU
Main Street
Box 73
Bowdoinham, ME 04008
207/666-5612

Sainte Famille FCU
525 Sabattus St
Lewiston, ME 04240
207/783-2071

St Charles FCU
10 Noble St
Brunswick, ME 04011
207/729-8737

St Croix Parish FCU
1004 Lisbon St
Lewiston, ME 04242
207/783-1475

St John's Brunswick FCU
54 Pleasant St
Brunswick, ME 04011
207/725-8728

St Joseph's Lewiston FCU
381 Main St
Lewiston, ME 04240
207/784-5435

St Mary's Comm FCU
304A Washington St
Bath, ME 04530
207/443-5531

Ste Marie FCU
201 Lincoln St
Lewiston, ME 04240
207/784-4762

Michigan

Bay City Electrical Workers CU
4297 Hushen Dr
Bay City, MI 48706
517/684-5572

Rewster Douglass Comm CU
Unite No 1399
2700 St Antoine Bldg
Detroit, MI 48201
313/963-3589

Detroit Consumers FCU
5533 Woodward Ave
Detroit, MI 48206
313/832-3440

Lansing Model Cities FCU
1901 E Michigan Ave
Lansing, MI 48912
517/487-5089

North Community CU
513 W North St
Kalamazoo, MI 49007
616/349-6746

Pattern Makers CU
2406 Hilton Fwy
Ferndale, MI 48220
313/545-2055

People's Community FCU
PO Box 1104
Benton Harbor, MI 49022
616/926-7870

Minnesota

Leech Lake FCU
Box 463
Cass Lake, MN 56633
218/335-6563

Red Lake Reservation FCU
Red Lake, MN 55671
218/679-3336

White Earth Reservation FCU
White Earth, MN 56591
218/983-3285

Missouri

Share & Save CU
4th & Hickory
Box 66
Appleton City, MO 64724
816/476-2185

Mississippi

Brookhaven FCU
Mullins Elementary School
S Hamilton St
Brookhaven, MS 39601
601/833-7479

Carthage Community FCU
St Anne Community Service Bldg
213 Red Dog Road
Carthage, MS 39051
601/267-7861

CDGM FCU
418 S Gallatin
Jackson, MS 39203
601/948-7390

Central Mississippi FCU
PO Box 310
Winona, MS 38967
601/283-2227

Clay County Community FCU
PO Box 943
West Point, MS 39773
601/494-4915

Forrest Progressive FCU
300 East Pine St
Hattiesburg, MS 39401
601/582-0241

Friendship Community FCU
406 Harrison St
Box 1047
Clarksdale, MS 38614
601/627-7437

Indianola Community FCU
PO Box 901
Indianola, MS 38751
601/887-2592

Issaquena County FCU
PO Box 87
Mayersville, MS 39113
601/839-4036

Lauderdale County FCU
PO Box 1986
Meridian, MS 39301
601/693-6873

MAP Federal Credit Union
680 W Monumont St
Jackson, MS 39203
601/948-6620 Ext. 26

St Francis FCU
PO Box 1200
Greenwood, MS 38930
601/453-0114

Wayne County FCU
PO Box 175
Waynesboro, MS 39367
601/735-2722

Montana

RMDC Federal CU
PO Box 721
Helena, MT 59601
406/442-1552

North Carolina

The Atlantic Credit Union
210 Atlantic Ave
Rocky Mount, NC 27801
919/442-5281

Bricks NC Community FCU
415 McDaniel St
Enfield, NC 27823
919/445-5624

Carteret County FCU
124 Turner St
Beaufort, NC 28516
919/728-2736

Caswell Credit Union
PO Box 241
Yanceyville, NC 27379
919/694-4661

Cherokee FCU
PO Box 241
Cherokee, NC 28719
704/497-9131 Ext. 23 (Treas Home)

Chowan Credit Union
405 S Broad St
Edenton, NC 27932
919/482-3126

Columbus County FCU
County Hall
Whiteville, NC 28472
919/642-5763

Craven County FCU
PO Box 1696
New Bern, NC 28560
919/638-1590

Cumberland County FCU
PO Box 1071
Fayetteville, NC 28302
919/483-2732

Davidson County FCU
PO Box 1155
Lexington, NC 27292
704/246-2020

Eastern Tar River CU
620 Albermarle Ave
Greenville, NC 27834
919/758-5159

Edgecombe Credit Union
420 East Church St
Tarboro, NC 27886
919/823-2265

Gates County CU
Gatesville, NC 27938
919/357-7361

Macon Citizens CU
246 Palmer St
Franklin, NC 28734
704/524-4464

Martin County FCU
PO Box 806
Williamston, NC 27892
919/792-5056

Metro Federal CU
1010 E 10th St
Charlotte, NC 28204
704/332-4561

Pasquotank Credit Union
505 S Martin St
Elizabeth City, NC 27909
919/335-1487

Perquimans Credit Union
200 South Edenton St
Hertford, NC 27944
919/426-7207

Roanoke Credit Union
302 Poplar St
PO Box 229
Weldon, NC 27890
919/536-2296

St Luke Credit Union
137 Ghent St
Windsor, NC 27983
919/794-8949

Tri County Credit Union
209 E First St
Ahoskie, NC 27910
919/332-4413

Wayne Federal CU
PO Box 638
Goldsboro, NC 27530
919/734-1218

Nebraska

Amscoe FCU
141 M St
Lincoln, NE 68508
402/475-3602

Franklin Community FCU
1723 North 33rd St
Omaha, NE 68111
402/558-6969

Our Lady of Guadelupe FCU
PO Box 909
Scotts Bluff, NE 69361
308/632-2720

New Jersey

Dover NJ Spanish American FCU
24 E Blackwell St
Dover, NJ 07801
201/361-2926

East Orange Community Action FCU
424 Main St
East Orange, NJ 07018
201/673-5110

Lawrence FCU
295 Eggerts Rd
Trenton, NJ 08638
609/883-3399

Neighborhood Council FCU
PO Box 108
Montclair, NJ 07042
201/746-7462

Newark Pre School Council Inc. FCU
300 Chancellor Ave
Newark, NJ 07112
201/926-0591

North Camden FCU
503 State St
Camden, NJ 08102
609/541-3144

UCC Newark FCU
449 Central Ave
Newark, NJ 07107
201/484-8820

New Mexico

Blanco Community FCU
Box 446
Blanco, NM 87412
505/632-3403

Citizens Credit Union
505 N Ave B
Portales, NM 88130
505/356-4863

Fortuna FCU
Rt 1 Box 256
La Mesa, NM 88044
505/233-3177

Help Employees CU
933 San Pedro SE
Albuquerque, NM 87108
505/265-7951

Jemez Valley CU
Box 97
Jemez Springs, NM 87025
505/829-3366

PCA Federal CU
408 N Main St
Carlsbad, NM 88220
505/885-2523

Quay County Credit Union
PO Box 1035
Tucumcari, NM 88401
505/461-1914

Taos Federal CU
PO Box 771
Taos, NM 87571
505/758-3937

New York

Baden Ormond FCU
152 Baden St
Rochester, NY 14605
716/325-4910

Booker T Washington FCU
111 54 Merrick Blvd
Jamaica, NY 11433
212/526-3510

Brownsville Community FCU
1619 Pitkin Ave
Brooklyn, NY 11212
212/385-4613

CABS Demonstration FCU
501 Marcy Ave
Brooklyn, NY 11206
212/963-4343

CEDC Federal CU
106 Main St
Hempstead, NY 11550
516/292-9710

CHAP Federal CU
136 W 125th St, Rm 16B
New York, NY 10027
212/850-6060

Clyde FCU
5 Sodus Street
Clyde, NY 14433
315/923-7102

Cow Bay FCU
382 Main St
Port Washington, NY 11050
516/883-3204

East Harlem Community Corp FCU
105 East 106th St
New York, NY 10029
212/427-0500

Eastern Suffolk FCU
623 Pulski St
Riverhead, NY 11978
516/727-5166

Ft Greene FCU
108 St Edwards St
Brooklyn, NY 11205
212/625-3017

GBS Federal Credit Union
1306 Bedford Ave
Brooklyn, NY 11216
212/789-6161

Henry Street Settlement FCU
265 Henry St
New York, NY 10002
212/962-1100

Ibero American Action League FCU
938 Clifford Ave
Rochester, NY 14621
716/544-0450

Lower East Side FCU
200 East 3rd St
New York, NY 10009
212/228-9414

Manhattan Economic Development FCU
262 W 96th St
New York, NY 10025
212/866-8150

Morrisania FCU
833 St Anns Ave
Bronx, NY 10456
212/635-3924

NE Federal CU
3000 Highland Ave
Niagara Falls, NY 14305
716/285-3616

Nineteen Niagara FCU
1902 Niagara St
Niagara Falls, NY 14301
716/284-1985

Queensbridge FCU
10 25 41st Ave
Long Island City, NY 11101
212/784-8320

Rochester Westside FCU
10 Cady St
Rochester, NY 14611
716/436-3090

Seal FCU
82 N Pearl St
Albany, NY 12207
518/434-2450

South Bronx FCU
401 East 148th St
Bronx, NY 10455
212/669-3345

Union Settlement FCU
237 E 104th St
New York, NY 10029
212/534-7900

University Settlement FCU
184 Eldridge St
New York, NY 10002
212/674-9120

Ohio

All People's FCU
No. 407
3500 Lorain Ave
Cleveland, OH 44109
216/961-6999

CAWNOC Federal CU
713 Mahoning Rd NE
Canton, OH 44704
216/452-9713

CMACAO Federal CU
927 Mt Vernon Ave
Columbus, OH 43203
614/253-8507

ECAC Federal CU
1028 Himrod Ave
Youngstown, OH 44506
216/743-7847

EPOC Federal CU
115 N Howard St
Akron, OH 44304
216/535-6193

Helping Hands FCU
Memorial Hall
Elm & Elizabeth St
Lima, OH 45801
419/223-8831

Hough Federal CU
7016 Euclid Ave
Cleveland, OH 44103
216/391-1844

HYS Federal CU
120 West Main St
Chillicothe, OH 45601
614/774-2101

Life FCU
PO Box 412
Wheelersburg, OH 45694
614/574-5059

Montgomery Co Self Help FCU
3304 N Main St
Dayton, OH 45405
513/276-5011

Mt Auburn FCU
c/o Flat Iron Building
159 Dorchester St
Cincinnati, OH 45219
513/721-4447

Mt Pleasant CU, Inc.
13505 Kensmen Rd
Cleveland, OH 44120
216/921-7360

Over The Rhine FCU
19 West Elder St
Cincinnati, OH 45210
513/621-4400

Park Manor FCU
220 Park Manor
Dayton, OH 45410
513/223-7991

PERCWCU Credit Union, Inc.
1073 Wellington Blvd
Columbus, OH 43219
614/221-9932

South Akron FCU
76 East Miller St
Akron, OH 44301
216/375-2238

South Eastern Ohio FCU
Route 3 Box 102
Athens, OH 45701
614-592-6601

Spanish American CU, Inc.
4500 Lorain Ave
Cleveland, OH 44102
216/961-2100

West End Community Cincinnati FCU
717 Lincoln Park Dr
Cincinnati, OH 45203
513/241-0463

Winton Hills Community FCU
5048 Winneste Ave
Cincinnati, OH 45232
513/641-0244

Oklahoma

Tulsa Task Force FCU
1340 E Seminole Pl
Tulsa, OK 74103
918/587-8471

Westside Community FCU
703 So Oak
Bartlesville, OK 74003
918/336-3407 (Treas)

Oregon

Aguila FCU
5103 NE Portland Rd
Salem, OR 97303
503/585-9200

Family Action FCU
1200 SE 7th Ave
Portland, OR 97214
503/233-3678

Our Federal Credit Union
Paramount Square
2142 Main St
Springfield, OR 97477
503/485-1188

West Oak FCU
PO Box 796
Oakridge, OR 97463
503/782-2872

Pennsylvania

CA Federal Credit Union
233 Locust St
Columbia, PA 17512
717/684-8047

Cambria Cnty Peoples FCU
115 Ashcroft Ave
Cresson, PA 16630
814/472-6224

EANC Federal CU
Box 650
Easton, PA 18042
215/258-0701

Greater New Kensington CAC FCU
1160 Fifth Ave
New Kensington, PA 15068
412/335-5579

Greensburg CAP FCU
42 Jefferson St
Greensburg, PA 15601
412/834-5822

Hill District FCU
1919 Centre Ave
Pittsburgh, PA 15219
412/281-0822

Lawrenceville FCU
3715 Penn Ave
Pittsburgh, PA 15201
412/681-9070

Manchester Neighborhood Council FCU
1439 N Franklin St
Pittsburgh, PA 15233
412/322-0320

North Phila FCU
2936 Ridge Ave
Philadelphia, PA 19121
215/232-7224

Sto Rox Community FCU
751 1/2 Chartiers Ave
McKees Rocks, PA 15136
412/331-3738

Tri Town FCU
Southmoreland Admin Bldg
Scottdale, PA 15683
412/887-7210 (Treas work)
412/887-6175 (Home)

Your Federal Credit Union
2224 Penn St
Harrisburg, PA 17110
717/236-7297 (Treas)

Puerto Rico

Coop De Credito Hogar Catolico
Box 263
Ciales, PR 00638
638/871-4180

Coop De Credito Nuestra Sra
Del Pilar
Apartado 21134
Rio Piedras, PR 00928
809/766-5331

Coop De Cr La Parraquia
De La Monserrate
PO Box 13295
Santurce, PR 00908
809/723-8680

Coop De Cr San Antonio
Apartado 20645
Rio Piedras, PR 00928
N/A

Coop De Credito Del
Santo Nombre Yauco
Box 361
Yauco, PR 00768
809/856-0115

Rhode Island

Mobil East Providence FCU
1001 Wampanoag Trail
PO Box 4422
Riverside, RI 02915
401/434-2900

South Providence Neighborhood FCU
950 Broad St
Providence, RI 02905
401/467-2650

South Carolina

CO Federal Credit Union
41 Cannon St
Charleston, SC 29403
803/722-7656

York County FCU
PO Box 839
Rock Hill, SC 29730
803/327-1910

South Dakota

Frontier FCU
Eagle Butte, SD 57625
605/964-4835

Interlakes Community FCU
109 1/2 NW First St
Madison, SD 57042
605/256-6518

OICIYAPI Federal CU
Box 183
Rosebud, SD 57570
605/747-2712

Tennessee

Elk & Duck Rivers FCU
PO Box 128
Petersburg, TN 37144
615/659-8671

Texas

Amigos Unidos FCU
PO Box 114
San Juan, TX 78589
512/787-6081

CAP Credit Union
601 E Elizabeth
Brownsville, TX 78520
512/546-3163

COMAL Federal CU
193 1/2 W San Antonio
New Braunfels, TX 78130
512/625-7172

Frio County FCU
411 N Willow St
Pearsall, TX 78061
512/334-3285

HCCAA Federal CU
6300 Bowling Green
Houston, TX 77021
713/236-0301

Marion County FCU
PO Drawer R
Jefferson, TX 75657
214/665-2681

NAI Federal Credit Union
3209 N Main
Fort Worth, TX 76106
817/626-8862

San Luis Rey FCU
Box 294
Laredo, TX 78040
512/723-6587

Tepeyac FCU
PO Box 1422
El Paso, TX 79948
915/533-9122

United Counties FCU
20 Gym St
Taylor, TX 76574
512/352-5523

Virginia

Fluvanna FCU
Rt 1 Box 184-A
Palmyra, VA 22963
804/589-8672

Franklin County Virginia FCU
Ferrum, VA 24088
703/365-2121

Gilpin FCU
1000 St John St
Richmond, VA 23220
804/649-0270

Hampton Community FCU
918 La Salle Ave
Hampton, VA 23369
804/723-6011

Hopkins House Neighborhood FCU
1312 Princess St
Alexandria, VA 22314
703/549-4232

Lonesome Pine FCU
PO Building
Wood Ave
PO Box 578
Big Stone Gap, VA 24219
703/523-2233

Model City Neighborhood FCU
102 W Olney Rd
Norfolk, VA 23510
804/627-8088

Newport News Neighborhood FCU
621 25th St
Newport News, VA 23607
804/247-0633

Stop Employees FCU
415 St Paul's Blvd
Norfolk, VA 23504
804/627-3541

WJC Federal CU
Drawer HK
Williamsburg, VA 23185
804/229-7952

Washington

Appleland FCU
301 S Wenatchee Ave
Wenatchee, WA 98801
509/663-1654

Central Area FCU
1400 18th Ave
Seattle, WA 98122
206/324-5900

Jefferson County FCU
PO Box 207
Hadlock, WA 98339
206/385-3399

The Native American FCU
33324 Pacific Hwy S
Federal Way, WA 98002
206/ -

Northeast Area FCU
2425 Springfield Ave E
Spokane, WA 99202
509/535-4641

West Virginia

Harrison County FCU
Kelly Miller Bldg
PO Box 895
Clarksburg, WV 26301
304/623-1511

Logan County FCU
118 1/2 Stratton St
Logan, WV 25601
304/752-3121

McDowell County CAP FCU
125 McDowell St
Welch, WV 24801
304/436-2185

Mingo FCU
PO Box 100
Williamson, WV 25661
304/235-1701

Multi-CAP FCU
PO Box 3228
Charleston, WV 25301
304/343-4175

Nicholas County FCU
519 Church St
Summersville, WV 26651
304/872-3680

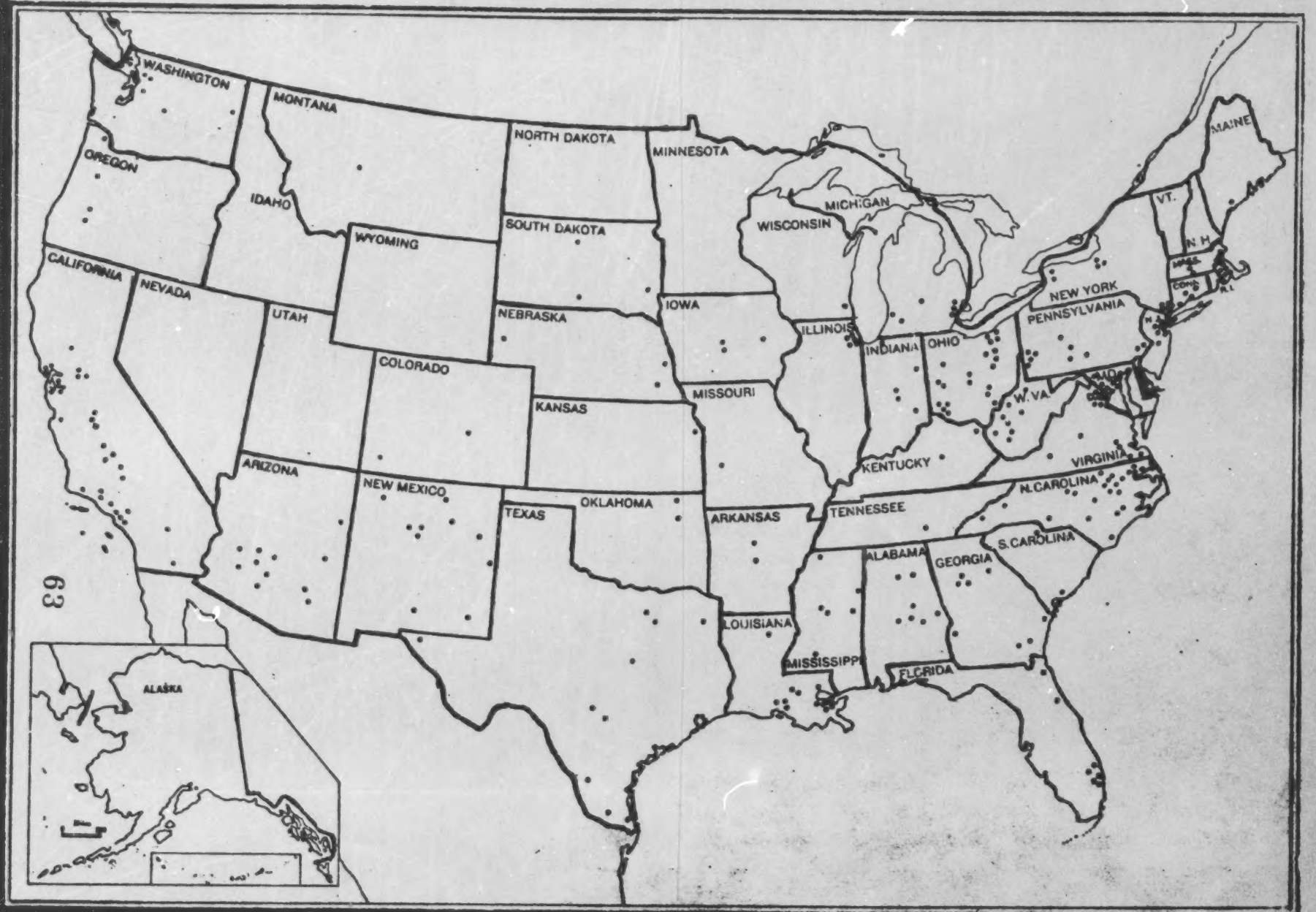
Upshur County FCU
PO Box 436
Buckhannon, WV 26201
304/472-1500

West Central W VA CAA FCU
804 Ann Street
PO Box 227
Parkersburg, WV 26101
304/485-4455

Wisconsin

El Centro CU
524 W. National Avenue
Milwaukee, Wisconsin 53204
(414) 384-8620

Location of Community Credit Unions



APPENDIX B:

CUNA Study of Existing Community Development Credit Unions

The Growth and Prospects of Community Development Credit Unions

by

Credit Union National Association, Inc.

In Cooperation with the National Credit Union Administration
Pursuant to a Grant by the Office of Economic Opportunity

Introduction

Credit unions were developed to promote thrift and serve members who didn't have access to credit elsewhere. Expanding its historic mission, CUNA, beginning in 1964, developed a pilot program to create and provide technical support for the development of community credit unions. Assisted by funding from the Office of Economic Opportunity, over 400 credit unions serving people of limited means were organized. A crisis in funding in the early 1970's caused retrenchment in the organizing process and lead to the liquidation of a number of these credit unions. As of December 1972, 274 of the 400 original community credit unions were still in existence.

During the past year and a half, representatives of a number of these credit unions have come together to form a steering committee to promote the development of the National Federation of Community Credit Unions (NFCCU) which will address itself to the special needs of this group of community credit unions.

This report was prepared by the research staff of CUNA at the request of the directors of NFCCU, and a significant portion of the funding for the research was provided by an OEO grant. The purpose of the report is to evaluate the current status and potential of these credit unions and recommend programs which attempt to solve the present and future problems facing them.

We estimate that 250 of the credit unions remained active at the end of 1974, indicating that the pace of liquidation, apparent in earlier years, had abated. An attempt was made to contact these credit unions and a telephone and mail survey during August 1974 solicited a response from 202 of

these credit unions. The first section of this report deals with an analysis of the results of this survey. The second section of the report presents an analysis of the changing financial condition of community credit unions from December 31, 1971 to December 31, 1973 and is based upon an analysis of financial statements of 155 of these credit unions for this period. The financial statements used to prepare the data in this section were made available by the National Credit Union Administration.

I. Community Credit Unions Today

This portion of the report details the findings obtained from telephone surveys with 202 potential members of the National Federation of Community Credit Unions. The areas covered in this survey include services provided members, sources of outside capital, loan demand, problem areas, and financial trends. The latter area will be covered in the second section of this report. The format of this section involves a discussion of the responses to the eleven questions posed in the fifteen minute telephone survey. The questions asked and summary tables may be found in the green section of this report. Before discussing the responses, we present the statistical description of the community credit unions surveyed.

The average community credit union on December 31, 1973

	Average	Total (All 202 reporting CU's)
Assets	$106,632	$21,539,664
Members	619	125,038
Shares	$ 84,820	$17,133,640
Loans Outstanding	$ 84,869	$17,143,538
Loans since founding	$403,824	$81,572,448

Average level of shares per member = $137.02

Outside Capital

Sixty-eight credit unions report having sources of capital other than member shares. This is approximately 33.7% of the community credit unions surveyed. Of greatest importance is nonmember shares with 27 credit unions reporting some of these. Certificates of Deposit were the next most common source with twenty-two credit unions offering these certificates. Following in importance are gifts and grants (16), other credit union's deposits (15), and notes(11). Since some credit unions have more than one source, the total exceeds sixty-eight.

Sixty-two credit unions reported a dollar estimate of the amount of outside capital. The average of $30,955 per reporting credit union yields a total of $1,919,190 of outside capital supporting the community credit unions. This compares with the total share accounts of $17,133,640 for the 202 community credit unions surveyed. Those credit unions reporting outside capital have such capital equal to an average of 23.1% of all assets.

Among smaller credit unions, outside capital plays a more important role, as a proportion of assets if they have access to such capital. However, the larger the credit union, the more apt it is to have some outside capital.

Credit unions with sources of outside capital are more likely to report having rejected or restricted loans due to a lack of funds. These credit unions are also more likely to have borrowed funds to meet loan demand. We conclude, outside capital has been insufficient to meet loan demand among these credit unions.

Need for Capital to Meet Loan Demand

Approximately one-fourth of reporting credit unions (53) attempted to borrow money to meet loan demand during the past year. Of these, 83.0% were successful. Aggregate borrowing exceeded eight hundred thousand dollars or stated in other words, an average of $17,520 per borrowing credit union. The amounts borrowed ranged from $400 to $100,000 with interest rates of from 1.5% to 10.5% with an average of 8.114%. This borrowing cost the involved credit unions $57,582 or an average of $1,371 per credit union.

The effect of the need for capital to loan is seen in the responses to question 3. Over one-fourth of our sample (26.2%) report rejecting loan applications due to a lack of funds. Thirty-one percent report restricting the size of loans due to a lack of funds. Managers of fifty-two credit unions estimate they could have loaned out an average of $55,053 each for a total of almost three million dollars in unmet loan demand. Over sixty percent report a need for additional deposits. We feel this is a minimal estimate of the needed additional funds based on the actual experience of the credit union managers and does not include the larger potential that exists in the community.

Types of Loans

Community credit unions offer a wide variety of loans to their members. Almost all credit unions offer signature loans (95.0%). Substantial numbers of these credit unions offer loans for medical bills (80.2%), appliances (79.2%), home improvement (65.8%), debt consolidation (66.8%), automobiles (61.4%), furniture (61.4%) and education (51.5%). Relatively fewer offer

mortgage (14.9%) and small business (11.9%). The low figures in the latter categories reflect a lack of funds rather than a lack of desire since over one-third of those credit unions not offering these loans (education, mortgage, small business) would add them if they had funds. Small business loans are not a traditional activity for credit unions. Their presence indicates the committment to economic development displayed by community credit unions. Over one-half (59.0%) of the credit unions would add auto loans if they had the funds available. Many rural credit unions report offering livestock and other economically productive loans to their members.

Subsidies

Traditionally, credit unions have received subsidies from the organization, such as employer, which provided the initial sponsorship. This was in recognition of the many services provided to members and the community. Thus discussion of subsidies received by community credit unions needs to be considered in conjunction with the services offered by these credit unions.

Approximately 83.2% of community credit unions report receiving some form of subsidy in the past year. The more recent the founding of the credit union the higher the likelihood of a subsidy.

The value of the subsidy to the 168 credit unions was $1,485,255 or an average of $12,481. The impact of these subsidies is most apparent on credit unions with assets of less than $250,000. The growth in assets of the subsidized credit unions was from 20 to 40 per cent higher than that of non-subsidized credit unions.

Subsidies can take two forms - either direct cash grants or the provision of in-kind services. The primary manner of providing subsidies is in the form of in-kind services. Over half (54.0%) of the credit unions reported provision of an office. Staff was provided on an in-kind basis to

50.0% of the sample. Cash grants for staff were reported by 28.2% of the credit unions. Subsidies were also provided in a variety of other areas such as equipment, accounting and supplies.

Services

Community credit unions are heavily involved in financial counseling (85.1%) and consumer education (57.4%). Forty to fifty percent of those not offering these two services would add them if possible. Three-fourths of these credit unions offer payroll deduction to at least some of their members. Payroll deductions have been a traditional method of encouraging thrift as well as repayment of loans among members. Many credit unions offer a newsletter (37.1%) and job information (35.6%). Although relatively few credit unions offer food stamps (12.9%), thirty-two percent of the remaining would like to add this service. Presently we estimate a total of 57,360 food stamp customers are served each month. In addition, about 25,000 Social Security or Welfare checks are cashed in a month. These services require a heavy investment of staff time which although contributing to the member's ability to cope with limited financial resources, are a drain on credit union resources if they are not re-imbursed by some social service agency.

Staff

Of the 202 credit unions surveyed, 60 or 29.7% rely entirely on volunteers for staffing. Forty-eight credit unions report having one employee, thirty-seven report two employees, twenty-seven report three employees, seventeen report four, and thirteen report five or more employees. Not

surprisingly, the smallest credit unions are most likely to report no employees (53.4%). One assets exceed $25,000 the likelihood of no employees drops from 27.5% to 0 for credit unions of a million dollars or more.

A fine record of stability and committment among employees was revealed when we asked if there was a problem with staff turnover. Only 6.4% replied yes.

Employees were predominantly drawn from government, CAP or non-profit services. Over 12% of employees had previously been employed or on welfare. Although few managers reported where their employees went when leaving, they appear to be primarily going into business. Slightly more than half of the employees had previous financial experience. In addition to the remaining employees who are gaining practiced financial experiences must be added hundreds of volunteer leadership members. Thus a bank of experience is being built.

Institution Affiliation

Most (77.2%) of the community credit unions are affiliated with some organization in their area. Overwhelmingly this was the local CAP organization (61.3%). An additional 11.0% were associated with churches. This relationship is believed to promote membership by 74.4% of the respondents. Only 5.0% believe this affiliation limits membership.

Problems

When we asked credit unions to report their most important problems we see reiteration of the need for more funds. Over half (50.9%) report needing more deposits. Reflecting the special population they are serving,

42.6% report problems with loan delinquency. Approximately one-fifth report a need for staff training. We feel this underestimates the need for staff training, since extended conversations reveal weaknesses which could be corrected by training, presently go unrecognized. Less than 12% report office as a problem, while 86.6% believe their office location is convenient. Many credit unions also feel the need to reach more of the potential members in their areas.

II. A Financial Analysis of Potential NFCCU Members

A. Introduction

The purpose of this section is to attempt to test the hypotheses:

1. Potential NFCCU members are viable economic institutions and have played a valuable role in the community which they serve; and
2. These credit unions could better serve their communities with increased capitalization and further training.

Data were obtained from the National Credit Union Administration for 155 potential NFCCU members for the period 1971 - 1973.

To evaluate the first hypothesis we will analyze financial data for the credit unions in our sample testing whether their growth rates are in line with those experienced by other credit unions as well as growth rates projected as necessary for a credit union to become "viable" during a given time period. The impact of credit unions on their communities will be measured by loans made since organization, interest savings, funds available for use by the community, and the other services provided by the credit union (detailed in section I).

If we can establish viability, the second hypothesis will be tested by analyzing the liquidity position of the credit unions in our sample as well as comparing relevant loan/share ratios and capital position to credit unions of similar asset size. This will allow projecting the amount of capital required to bring these credit unions to a parity position. Also, problem areas such as expense - income ratios, and delinquency rates will be discussed.

The credit unions in the sample are classified according to asset size, with asset size as of December 31, 1973 determining the credit unions' classification. Data presented in Table I give the number of credit unions in each of the asset categories for each of the years 1971, 1972 and 1973. A secondary classification will group the credit unions according to the date of founding.

B. Hypothesis Number One

Membership

From data presented in Table II we find that the 155 credit unions in our sample had 106,795 members at the end of 1973, up from 89,900 at the end of 1971. The average annual growth in membership of 9.8% was slightly higher than the annual increase in membership of 7.3% recorded by all credit unions in the nation during the same period. The growth, however, was concentrated in 1972 with only credit unions of asset size $100,000 - 249,999 and $500,000 - 999,999 showing any significant growth in 1973. It is apparent that the credit unions in our sample have significantly larger membership than comparible size federal credit unions, due mainly to the relatively open common bond afforded community credit unions.

Assets

Table II presents data showing that credit unions in our sample had $17,065,190 in assets at the end of 1973, with an average asset size of $110,098. Growth rates calculated from the data indicate that average asset size increased 47.4% in 1972 and 33.7% in 1973, figures which compare favorably with corresponding asset growth for all credit unions of 17.4% and 15.2% during the same two years. The credit union with over $1 million in assets, Martin County, North Carolina, grew at the most rapid rate, 93.7% in 1972 and

7.8% in in 1973, followed by the 23 credit unions with assets between $100,000 - 249,999 which increased their assets 66.3% in 1972 and 45.9% in 1973. As expected, credit unions founded since 1968 grew at the fastest rate and those founded prior to 1964 grew at the slowest rate.

Share Accounts

At the end of 1973 the average credit union in our sample had $86,939 in their share account - see Table IV. The annual rate of increase in share accounts of 45.4% in 1972 and 30.1% in 1973 again is significantly larger than the corresponding increases of 17.5% and 14.0% for all credit unions in the nation. As expected, those credit unions experiencing the most rapid increase in share deposits were those with assets over $1 million (102.6% and 44.5% respectively) and those with assets between $100,000 - 249,999 (67.4% and 46.6% respectively). Also confirming previous figures, the younger credit unions grew at a significantly faster rate than those founded prior to 1964.

Loans Outstanding

Data presented in Table V show that the growth rate for loans outstanding was 53.0% in 1972 and 35.5% in 1973 with average loans outstanding equal to $86,729 at the end of 1973. Comparative growth rates for all credit unions of 16.4% and 16.8% during the same period again indicate that our sample credit unions grew significantly faster than the national average. It is interesting to note that the credit unions in our sample have, on the average, less shares than comparable size credit unions, yet have larger amounts of loans outstanding. This indicates that these credit unions are serving communities with relatively large loan demand and points to potential liquidity problems.

Credit unions with access to outside capital were better able to fulfull their member's loan demands than those without such funds. The average

loan/share ratio for our sample was 99.8%, but rose to 107.1% for credit unions with outside capital and was only 93.2% for those without it. When capital is available, member loan demand has guaranteed that it will be used.

Loans Made Since Organization

The 155 credit unions in our survey have made a cumulative total of $60,586,710 since founding by the end of 1973, and according to data found in Table VI have been making loans at an annual rate of approximately $15,000,000 in each of the past two years. The major impact of these loans is twofold:

1. For many credit union members the credit union is the only source of consumer credit, and if we assume that credit unions are true to their principles and make loans for productive purposes, then any loan has a positive benefit to the member.
2. Loans at credit unions generally may be obtained at lower rates than those available from other financial institutions, and in the case of these community credit unions, the rate differentials are likely to be more pronounced.

Each percentage point differential represents an aggregate saving of approximately $600 thousand to the members of community credit unions. If we assume that 18% is the lowest rate at which funds would be available from outside sources and that credit unions charge the maximum allowable, 12%, then there has been an aggregate saving of $3.6 million in interest charges and the net interest saving is now approximately $900 thousand a year.

There have been other benefits to the community, among them:

1. the fact that income of the credit unions, $2,163,955

in 1973, in large part stayed within the community in the form of dividends, salaries and reserves rather than accrue to outside lenders;

2. the financial counseling and consumer education services have helped the members better understand the use of credit and make wiser use of the limited number of dollars available to them.

The above facts suggest that the credit unions in our sample are viable economic institutions and have had a significant impact on their communities. However, the data in Table VII raise certain questions about the viability of a number of these credit unions. Findings indicate that seven of the credit unions have not reached $100,000 in assets in more than 10 years existence, an additional 44 have not reached $50,000 in assets in their first 6-10 years, and another 32 have not grown to $25,000 in assets in their first three years. These levels should be considered the absolute minimum necessary if the credit union is expected to have any reasonable chance of reaching a size of $300 - 500 thousand which would allow generation of sufficient income from loans to cover a significant portion of its expenses.

Thus, we have at least 73 of the 155 credit unions which are not making significant progress toward self-sufficiency. While there is no doubt that these credit unions have provided valuable services to their communties, it would appear that many of them exist only because of the subsidies they receive rather than have the subsidies supplement their income during the growth process. Special attention must be paid to this group during any development process and programs must be developed to get these credit unions off dead center and moving toward viability rather than depending upon transfer payments and being satisfied with the status quo.

C. Hypothesis Number Two

We will now attempt to evaluate the second hypothesis - that potential members of NFCCU could better serve their individual members with further capitalization. In this respect we are equating service with the ability of a credit union to satisfy its members loan requirements, however, in the long-run we recognize that the promotion of community thrift is the vehicle by which this goal will be achieved.

In order to provide loans to members, credit unions must obtain funds - primarily from member share deposits, reserves, undivided earnings, and notes payable (certificates of deposit). In this section we will analyze the present liquidity position of the credit unions in our survey, and indicate what amount of outside capital would be required to bring them to parity with other credit unions of similar size.

Liquidity

For our purposes, liquidity is defined as:

L = assets - .02 (fixed assets) - loans outstanding

No attempt was made to analyze the composition of the liquid funds and it was assumed that they were held in a form readily convertible into loans to members.

Our telephone survey indicated:

1. 52 of the credit unions had to turn down loans in 1973 due to a lack of funds and indicated that they could have lent an additional $2.8 million if funds had been available; and
2. 44 credit unions borrowed $800,000 in 1973, but a number of credit unions were unable to obtain needed funds by borrowing.

At the same time, an analysis of the financial data presented in Table VIII

indicates that the liquidity position of these credit unions was $3,280,885 in the aggregate. However, for all categories except asset size $100,000 - 249,999, the credit unions in our sample have less liquidity than the average federal credit union of similar asset size. Credit unions with sources of outside capital had greater liquidity than those without such funds, $26,000 as compared to $18,976 on the average, and therefore had a greater degree of flexibility.

We would expect, however, that the liquidity position of credit unions is overstated of funds available for loans to members because of several circumstances peculiar to them. The four most important reasons are:

1. Food stamp programs result in a cash flow which increases assets but must be kept highly liquid;
2. The prevelance of short-term loans leads to a large cash flow which causes liquidity to be available, but this liquidity would quickly disappear as the credit union lengthened loan maturities.
3. Cash subsidies increase assets but not funds available for loans as they are most often commited to cover certain expenses.
4. Portions of the reserve accounts are only paper reserves guaranteed by OEO to allow the credit union to participate in the NCUA mandatory share insurance program.

We tested the relationship of these reasons to a credit union's liquidity position by the use of regression analysis. Our dependent variable was liquidity as a percentage of assets, and we created dummy variables to represent food stamp sales, the ratio of loans to loans outstanding and cash subsidies. The data were controlled with respect to age and asset size of

the individual credit union. The result show that the larger the assets the lower the level of liquidity, likewise older credit unions were less liquid than younger credit unions. Controlling for asset size and age, it is estimated that credit unions with food stamps have 8.8% more liquidity than those without food stamps; those credit unions with a ratio of loans made to loans outstanding above the average of the entire group had 5.5% more liquidity; while those credit unions who receive a subsidy have liquidity 3.5% greater than those who do not receive such subsidies. Thus we conclude that the liquidity positfon of our sample is an over estimation, relative to other credit unions of similar asset size, of the funds actually available to meet the loan needs of the members.

Loan/Share Ratio

The loan/share ratio indicates the degree to which a credit union puts the members' deposits to work within the credit union. The ratio may at times rise above one if the credit union has sources of funds (reserves and outside capital for example) other than share deposits. Data in Table IX gives comparative figures for our sample as well as all federal credit unions at the end of 1973. For all asset categories those credit unions in our sample had loan/share ratios significantly higher than those of comparable federal credit unions. This is further evidence that members of these credit unions have a greater need for a source of loan capital and that the sample credit unions have served this need to the best of their ability. At this point in time, $1,678,086 would be required to bring the loan/share ratio of our credit unions down to the average for their respective asset category. If these credit unions attempt to increase their membership it is expected that liquidity problems will be further magnified as new members tend to have a loan deman in excess of their short-run ability to save and generate the needed funds.

(Retyped at the ERIC Clearinghouse in Career Education)

The need for additional capital has been demonstrated. However, a simple infusion of capital may well not be adequate to solve the problem, that is, training in the use of funds as well as the funds themselves may prove equally important if a capitalization program is to be successful in the long-run. This statement is made as a result of finding several areas for concern during our analysis.

Expense to Income Ratio

Table X presents figures on the expense/income ratio for our sample as well as for all federal credit unions in 1973. As may be seen from the data, the ratio is higher for our sample than for all credit unions of similar asset size. The generally high ratio may well be explained by the following:

1. Credit unions in our sample tend not to generate as much income as the typical credit union of similar asset size (see Table XI) - this may be partially explained by the relatively high delinquency rate experienced by these credit unions; and
2. Even though a majority of the credit unions receive a subsidy, the cost of providing special services such as financial counseling are not fully covered by the subsidy, and such services are not generally provided by credit unions of similar asset size.

A peculiar fact which may be observed from the data is that credit unions in our sample do not experience the traditional "economies-of-scale" where expense ratios decline as asset size increase. The failure of the sample to exhibit economies of scale may be explained by the fact that small credit unions tend to have relatively fewer employees than larger credit

unions and the increased expenditures arising from increased employment tend to be "lumpy" and show up in rapidly growing credit unions.

Expense/income ratios of this magnitude indicate a potential problem. If we impute a cost of capital (shares) of 5%, which approximates 35% of income, and assure that approximately 10% of income must be transfered to reserve accounts, we see that a majority of our credit unions are operating at a point where increased expenses or decreased subsidies would impair their ability to pay dividends. This would indicate that without the income resulting from increased capitalization, it is unlikely that many of the credit unions now receiving subsidies would be able to operate without them in the near future.

A credit union's loss ratio is defined as loans charged off divided by loans made since organization. Data in Table XII gives loss ratios for credit unions in the various asset categories. The total value of loans charged off since organization is $1,143,435 or 1.88% of total loans. The loss ratio is more than six times greater than the .28% ratio for all credit unions. When comparing the loss ratios of our sample to other federal credit unions of similar asset size, we find for all categories except asset size greater than $1,000,000 the loss ratios for community credit unions is two to six times greater than the national average. Martin county has a loss ratio one-half that of the average credit union of similar size, most likely because of the short period of time they have been in existence. The loss ratio is significantly higher for those credit unions with delinquency problems. Those credit unions which indicated a delinquency problem in response to the telephone survey had a loss rate of 2.18% while the corresponding figure for these without a delinquency problem was 1.22%. The delinquency figures suggest that in the interest of "community service" these credit unions have adopted loan policies much more risky than their counterparts with other common bonds.

Delinquency

Table XII also gives figures on the delinquency rates prevailing in our sample credit unions. Delinquent loans are defined as those at least 60 days in arrears. The figures show that the delinquency rates range from a low of 7.4% of total loans for credit unions of asset size $100,000 - 249,999 to a high of 20.1% for those with assets less than $25,000. These figures are from two to four times larger than the rates experienced by other credit unions and suggest a need for full time personnel to deal with the problem. The existence of high levels of delinquency: (a) cause a loss of current income to the credit union; (b) lowers cash flow and therefore liquidity; (c) impairs the credit union's capability of obtaining outside funds, and therefore, (d) impairs the ability of the credit union to serve its members.

Conclusions and Recommendations

1. Community credit unions have been growing significantly faster than other credit unions of comparable asset size.
2. Community credit unions have significantly less liquidity than other federal credit unions of similar asset size.
3. Community credit unions are providing services to their members in excess of those usually provided by credit unions of similar asset size. Often the credit union is not fully compensated for providing these services by the community credit agencies which otherwise would have to provide them.
4. Those credit unions which are not growing at an "acceptable" rate need special help. At present they may not be able to absorb significant amounts of capital without additional management training and data processing capability.
5. Any program designed to increase membership in these credit unions will require additional capitalization as the new members will have loan demand in excess of their short-run ability to save.
6. Significant amounts of capital inputs will be required if many of these credit unions are to have any hope of generating sufficient income to exist without continuing subsidy.

7. High delinquency rates point to a need for additional training as well as the need to free up time for the manager to deal with this problem. A balance must be reached between providing loans to needy members and sound business practices which the credit unions must follow if they are to be successful in the long-run.
8. Planning is a key ingredient to success which has been lacking in many of these credit unions. An effort must be made to get each credit union to develop a business plan listing the route by which the credit union plans to achieve self-sufficiency. Also, all credit unions should develop a credit policy and adhere to it.

Many of these conclusions have been stated in previous studies of credit unions serving limited-income communities; * and a key point to remember is contained in the CUNA study, that is, any program must be designed so that the credit union will be able to meet the needs of the community " . . . through income produced by service, or through volunteer help. Funding is no answer, for funding a service creates an expectation that cannot be fulfilled once the funding ends, as it inevitably does." (3, p.9)

---

* 1. Thomas Cargill. Performance of Limited-Income Credit Unions 1969-1970 (Purdue University, Lafayette, Ind.: January 3, 1972).
2. Comptroller General of the U. S., Progress Being Made and Difficulties Encountered by Credit Unions Serving Low-Income Persons (Washington, D. C.: June 17, 1971).
3. CUNA International, Inc., A Report on Credit Unions Sponsored by Community Action Agencies (Madison, Wisconsin: 1970).
4. Stephen Feldman, Credit Unions (Hofstra University Yearbook of Business, Series 10, Volume 2, Hempstead, N. Y.: 1974).

We would recommend that any program developed to serve these community credit unions would:

1. Provide sufficient capitalization to allow the credit union to generate income during the period when member savings grow to an adequate level;
2. Provide for technical assistance to help each credit union develop a business plan stating the developmental goals of the credit union and the method by which the goals may be reached;
3. Provide for technical assistance in the form of management training suited to the needs of the individual credit union, and emphasizing credit policies and delinquent loan control;
4. Provide funds which would allow each credit union to obtain data processing equipment suitable to a credit union of its size. This would lead to long-run efficiencies as the credit union continues to grow and would free up management time which could be better spent controlling delinquent loans and providing other services to members.
5. All implementation and operation of the program by a group closely associated with the credit unions which will receive the benefits of the program.
6. Any services provided by these credit unions, which otherwise would be provided by other community agencies, be fully funded by the community agencies;
7. Use the services of CUNA Risk Management for an evaluation of the credit unions.

At the end of 1973 the capital needs of the 155 credit unions in our sample were a minimum of $4.5 million; $2.8 million to meet unfilled loan demands of the present membership, and $1.7 million to lower their loan/share ratio to the national average and give them greater operating flexibility.

We could reasonably expect that these credit unions will experience significant growth in the next few years, tempered, of course, by the pressures of inflation and recession on the members of these communities. We would expect:

1. Assets of $22.7 million by the end of 1974 and $30.6 million at the end of 1975;
2. Shares totalling $18.2 million at the end of 1974 and $24.6 million by the end of 1975;
3. Loans outstanding equalling $18.1 million by the end of 1974, and $24.5 million at the end of 1975.

Realization of these expectations without any additional funding would mean that the capital shortfall of the credit unions in our sample would be $5.52 million just to get the loan/share ratio down to the national average. To this we would have to add unmet member loan demand due to lack of funds and pent up community demand which could be served if funds were available.

OUTSIDE CAPITAL

1. Do you have any sources of capital other than share accounts?

YES	33.7%	(68)
NO	65.8	(133)
N/A	0.5	(1)

What are the sources of this capital?

Certificates	(22)
Notes	(11)
Gift/Grant	(16)
Other CU deposit	(15)
Non member shares	(27)

What is the approximate amount of these outside sources of capital?

NO ANSWER	(6)
Total	$1,919,190
Average	$30,955
Minimum	$ 100
Maximum	$277,294

NEED FOR CAPITAL TO MEET LOAN DEMAND

2. Have you attempted to borrow money to meet loan demand in the past year?

YES	26.2%	(53)
NO	73.3	(148)
N/A	0.5	(1)

Of the 53 respondents who answered yes we asked:
Were you successful?

YES	83.0%	(44)
NO	17.0	(9)

How much money did you borrow or attempt to borrow?

Responding	(46)
Total	$805,920
Average	$17,520
Minimum	$400
Maximum	$100,000

What was the interest rate?

NO ANSWER	(4)
Average	8.114%
Minimum	1.500%
Maximum	10.500%
Average Int. paid	$1,371
Total Cost	$57,582 (For 42 credit unions)

3. Have you turned down loan applications for lack of funds in the past year?

YES	26.2%	(53)
NO	73.8	(149)

Have you restricted the size of loans due to lack of funds during the same time period?

YES	31.2%	(63)
NO	68.8	(139)

How much in the way of additional funds do you estimate you could have loaned out in the past year?

Responding	(52)
Average	$55,053
Total	$2,862,777
Minimum	$500
Maximum	$500,000

LOANS

4. a. What type of loans do you make?
   b. If funds were available, what types would you make?

	Presently Make		Not Make	like to Add	% of CU's not making this type of loan who would add
SIGNATURE	95.0	(192)	(10)	(2)	20.0%
AUTO LOANS	61.4	(124)	(78)	(46)	59.0
FURNITURE	61.4	(124)	(78)	(27)	34.6
DEBT CONSOLIDATE	66.8	(135)	(67)	(27)	40.3
MORTGAGE	14.9	(30)	(172)	(75)	43.6
SMALL BUSINESS	11.9	(24)	(178)	(60)	33.7
EDUCATION	51.5	(104)	(98)	(39)	39.8
HOME IMPROVEMENT	65.8	(133)	(69)	(25)	36.2
MEDICAL BILLS	80.2	(162)	(40)	(9)	22.5
APPLIANCES	79.2	(160)	(42)	(7)	16.7

SUBSIDY

5. Have you received any direct subsidies or in-kind services?

YES	83.2%	(168)
NO	14.4%	(29)
N/A	2.5%	(5)

What do you estimate the total value of these subsidies in the past year was?

Responding	(119)
Average	$12,481
Total	$1,485,255
Minimum	$2
Maximum	$80,301

We would like to know the specific areas in which you received direct or in-kind subsidies?

	Direct		In-Kind	
Cash, general	5.4%	(11)		
Office	8.4	(17)	54.0%	(109)
Staff	28.2	(57)	50.0	(101)
Office Supplies	13.4	(27)	12.4	(25)
Equipment	8.9	(18)	22.8	(46)
Accounting	3.5	(7)	12.9	(26)
Other	12.4	(25)	4.5	(9)

SERVICES

6. a. What kind of services do you provide your members?
   b. What services would you like to add?

Services (% Yes)

	Offered		Not Offer	Would Add	% of Those Not Already Offering Who wish to Add Service
	%	#		#	
Financial Counsel	85.1%	(172)	(30)	(15)	50.0%
Consumer Educ.	57.4	(116)	(86)	(34)	39.5
Community Center	10.4	(21)	(181)	(22)	12.2
Food Stamp	12.9	(26)	(176)	(64)	36.4
Co-op Store	3.5	(7)	(195)	(31)	15.9
Newsletter	37.1	(75)	(127)	(42)	33.1
Payroll Deduction	78.2	(158)	(44)	(23)	52.3
Job Info	35.6	(72)	(130)	(32)	24.6

How many food stamp customers do you serve in a month?

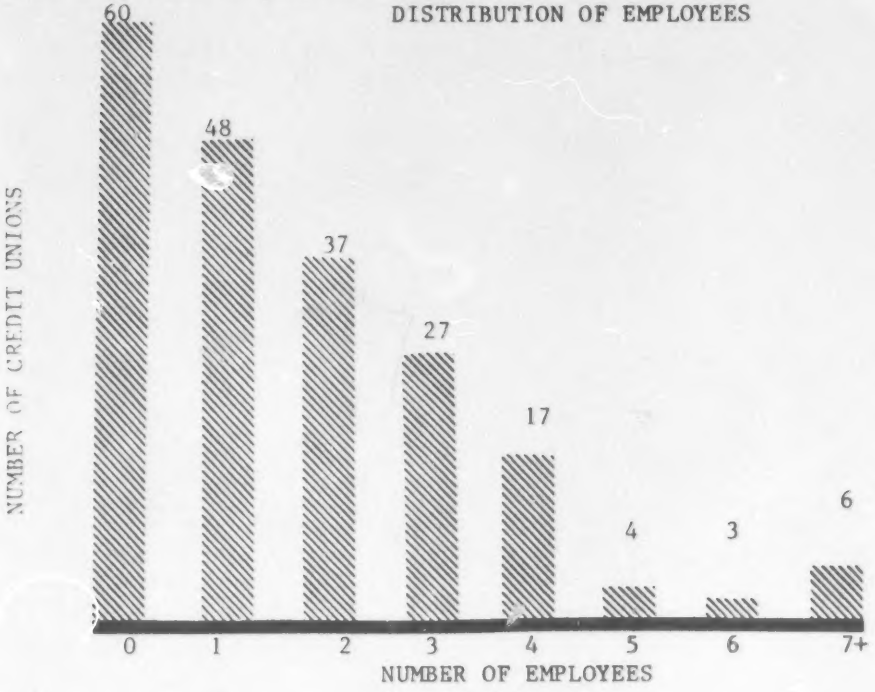
Responding	(21)
Average	2,206
Range	30 to 8,000
Total Impact	46,330 customers served (for 21 credit unions that reported) 57,360 (estimated for 26 credit unions that offer)

7. How many Social Security or Welfare checks do you cash each month?

Responding	(75)
Average	321
Range	20 to 4,000
Total	24,077 checks cashed

STAFF

8. Now we are going to ask a few questions concerning your employees. How many full or part-time employees do you have?



Do you experience a problem with staff turnover?

YES	6.4%	(13)
NO	75.7	(153)
N/A	17.8	(36)

Where do you draw your employees from and where do they go when they leave your credit union?

	FROM	TO
Unemployment, Welfare	27	0
Gov't/CAP/Non-Profit	151	6
Business	46	14
Total reported	224	20

How many of your employees had previous financial experience?
201 or 55.9% of 359 reported employees

INSTITUTIONAL AFFILIATION

9. a. Is your credit union closely associated with any other community organization?

YES	77.2%	(156)
NO	22.3	(45)
N/A	0.5	(1)

b. What type of organization is this?

CHURCH	11.0%	(17)
CAP	61.3	(95)
OTHER	27.7	(43)

c. Does this relationship promote or limit membership?

PROMOTE	74.4%	(119)
NO EFFECT	20.6	(33)
LIMIT	5.0	(8)

PROBLEMS FACING "COMMUNITY" CREDIT UNIONS

10. Is your office location convenient?

YES	86.6%	(175)
NO	13.4	(27)

11. What do you feel are the most important problems facing your credit union?

NEED MORE DEPOSITS	60.9%	(123)
STAFF TRAINING	20.3	(41)
LOAN DELINQUENCY	42.6	(86)
OFFICE FACILITIES	11.9	(24)

The respondents were permitted to list more than one problem area thus, the total number of responses is over 202.

Many respondents volunteered an additional problem area which we did not code and punch up to be tabulated.

We did note that a large number of these credit unions reported a major problem lay in the area of getting the credit union message across to the local community. There seems to be a demand for promotional material aimed at their specific potential membership.

TABLE I

DISTRIBUTION OF CREDIT UNIONS BY ASSET SIZE

ASSET CATEGORY	1971		1972		1973	
	Number	Per Cent	Number	Per Cent	Number	Per Cent
L.T. $25,000	81	52.3%	71	45.8%	54	34.8%
$25,000 to 49,999	32	20.6	25	16.1	29	18.7
$50,000 to 99,999	14	9.0	24	15.5	28	18.1
$100,000 to 249,999	19	12.3	20	12.9	23	14.8
$250,000 to 499,999	9	5.8	13	8.4	15	9.7
$500,000 to 999,999	0	0.0	2	1.3	5	3.2
$1,000,000 or more	0	0.0	0	0.0	1	0.6
Total	155	100.0	155	100.0	155	100.0

TABLE II

AVERAGE NUMBER OF MEMBERS

	1971 MEMBERS Mean	1972 MEMBERS Mean	1972 % Increase from previous year	1973 MEMBERS Mean	1973 % Increase from previous year	All Federal Credit Unions Members - 1973
TOTAL	580	665	14.66%	689	3.61%	1,156
ASSETS IN 1973						
Less than $25,000	229	244	6.65	240	-1.64	133
$25,000 to 49,999	411	457	11.19	461	.88	174
$50,000 to 99,999	513	570	11.11	552	-3.16	225
$100,000 to 249,999	879	1,095	24.57	1,198	9.41	336
$250,000 to 499,999	1,523	1,716	12.67	1,728	0.70	544
$500,000 to 999,999	1,331	1,576	18.41	1,935	22.78	865
$1,000,000 or more	1,542	1,970	27.76	1,912	-2.94	1,498
YEAR OF FOUNDING						
1969 thru 1971	349	437	25.21	455	4.12	319
1964 thru 1968	766	853	11.36	884	3.63	466
Up thru 1963	609	672	10.34	678	0.89	678

TABLE III

AVERAGE LEVEL OF ASSETS

	1971 ASSETS Mean	1972 ASSETS Mean	1972 % Increase from previous year	1973 ASSETS Mean	1973 % Increase from previous year	All Federal Credit Unions Assets-1973
TOTAL	$ 55,881	$ 82,338	47.35%	$ 110,098	33.71%	-
ASSETS IN 1973						
Less than $25,000	9,420	11,861	25.91	13,539	14.15	15,000
$25,000 to 49,999	20,575	26,858	30.54	37,726	40.46	37,343
$50,000 to 99,999	41,878	58,045	38.60	72,809	25.44	73,315
$100,000 to 249,999	70,966	118,022	66.31	172,231	45.93	164,653
$250,000 to 499,999	193,698	284,103	46.67	365,979	28.82	358,292
$500,000 to 999,999	311,348	463,332	40.14	549,870	26.02	705,331
$1,000,000 or more	289,155	559,979	93.66	1,001,014	78.76	1,407,601
YEAR OF FOUNDING						
1969 thru 1971	25,872	45,026	74.03	67,026	48.86	112,468
1964 thru 1968	72,667	105,028	44.53	136,370	29.84	251,849
Up thru 1963	112,645	139,852	24.15	175,930	25.80	526,328

TABLE IV

AVERAGE LEVEL OF SHARES

	1971 SHARES Mean	1972 SHARES Mean	1972 % Increase from previous year	1973 SHARES Mean	1973 % Increase from previous year	All Federal Credit Unions SHARES - 1973
TOTAL	$ 45,955	$ 66,818	45.40%	$ 86,939	30.11%	-
ASSETS IN 1973						
Less than $25,000	7,835	9,785	24.89	11,258	15.05	$ 12,308
$25,000 to 49,999	17,300	22,139	27.97	31,654	42.98	32,842
$50,000 to 99,999	33,061	48,327	46.18	57,623	19.24	63,369
$100,000 to 249,999	53,994	90,363	67.36	132,481	46.61	142,281
$250,000 to 499,999	159,240	220,804	38.66	273,758	23.98	310,342
$500,000 to 999,999	275,148	385,927	40.26	488,198	26.50	614,231
$1,000,000 or more	253,359	513,218	102.57	741,762	44.53	1,223,725
YEAR OF FOUNDING						
1969 thru 1971	22,669	36,924	62.88	53,318	44.40	97,038
1964 thru 1968	57,644	83,467	44.80	104,659	25.39	218,254
Up thru 1963	104,962	123,890	18.03	158,345	27.81	458,464

TABLE V

AVERAGE AMOUNT OF LOANS OUTSTANDING

	1971 LOANS OUT Mean	1972 LOANS OUT Mean	1972 % Increase from previous year	1973 LOANS OUT Mean	1973 % Increase from previous year	All Federal Credit Union LOANS OUT - 1973
TOTAL	$ 42,462	$ 64,950	52.96%	$ 86,729	33.53%	-
ASSETS IN 1973						
Less than $25,000	6,361	7,486	17.69	8,783	17.33	$ 8,344
$25,000 to 49,999	13,699	18,969	38.74	27,751	46.30	26,890
$50,000 to 99,999	34,016	47,000	38.17	56,287	19.76	56,503
$100,000 to 249,999	57,145	88,170	54.29	131,856	49.55	130,224
$250,000 to 499,999	149,766	227,202	51.07	297,493	30.94	283,770
$500,000 to 999,999	211,407	354,670	67.77	443,556	25.06	550,673
$1,000,000 or more	285,231	530,089	85.85	875,037	65.07	1,096,186
YEAR OF FOUNDING						
1969 thru 1971	19,064	35,594	86.71	52,669	47.97	94,657
1964 thru 1968	54,742	82,357	50.45	108,374	31.59	209,368
Up thru 1963	90,404	110,724	22.48	132,538	19.70	428,579

TABLE VI

AVERAGE LEVEL OF TOTAL LOANS SINCE FOUNDING

	1971 Mean	1972 Mean	1973 Mean
TOTAL	$201,226	$ 294,921	$ 390,882
ASSETS IN 1973			
Less than $25,000	25,335	37,445	57,439
$25,000 to 49,999	94,622	123,731	166,342
$50,000 to 99,999	255,416	33,060	382,357
$100,000 to 249,999	215,936	330,061	495,467
$250,000 to 499,999	649,506	971,411	1,272,650
$500,000 to 999,999	921,232	1,464,864	1,980,423
$1,000,000 or more	679,903	1,290,102	1,927,483
YEAR OF FOUNDING			
1972 or 1973	48,987	97,420	168,264
1969 thru 1971	255,961	383,758	503,039
Up thru 1963	698,857	823,965	900,855

TABLE VII

1973 ASSETS, BY YEAR OF FOUNDING

	Pre-1964	1964-68	1969-71	Total
L.T. $25,000	0	22	32	54
$25,000 to 49,999	3	12	14	29
$50,000 to 99,999	4	13	11	28
$100,000 to 249,999	1	18	4	23
$250,000 to 499,999	1	11	3	15
$500,000 to 1,000,000	2	3	0	5
$1,000,000 or more	0	0	1	1
Total	11	79	65	155

TABLE VIII

AVERAGE LEVEL OF LIQUIDITY

	LIQUIDITY Mean	LIQUIDITY Mean	LIQUIDITY Mean	ALL FEDERAL CREDIT UNIONS LIQUIDITY 1973
TOTAL	$12,575	$16,160	$ 21,167	$
ASSETS IN 1973				
Less than $25,000	2,870	4,277	4,486	5,197
$25,000 to 49,999	6,465	7,352	9,220	9,705
$50,000 to 99,999	7,025	9,884	15,066	15,335
$100,000 to 249,999	14,886	27,492	36,930	31,136
$250,000 to 499,999	40,058	51,218	61,168	67,356
$500,000 to 99,999	93,714	72,935	95,317	140,551
$1,000,000 or more	-1,860	18,690	105,957	324,619
YEAR OF FOUNDING				
1969 thru 1971	6,472	9,078	13,017	15,542
1964 thru 1968	16,472	20,571	25,269	37,444
Up thru 1963	19,988	26,331	39,873	87,222

TABLE IX

COMPARATIVE AVERAGE LOAN/SHARE RATIOS, 1973

	1973	All Federal Credit Unions
Total	99.8%	-
ASSETS IN 1973		
Less than $25,000	78.0	62.5%
$25,000 to 49,999	87.7	81.9
$50,000 to 99,999	97.8	89.2
$100,000 to 249,999	99.5	91.5
$250,000 to 499,999	108.7	91.4
$500,000 to 999,999	90.9	89.7
$1,000,000 or more	118.0	89.6

TABLE X

AVERAGE EXPENSE TO INCOME RATIO BY SIZE OF ASSETS IN 1973

	EXPENSE/INCOME - 1971	EXPENSE/INCOME - 1972	EXPENSE/INCOME - 1973	All Federal Credit Unions
TOTAL	63.8%	56.9%	54.1%	
ASSETS IN 1973				
Less than $25,000	49.3	51.2	46.6	47.7%
$25,000 to 49,999	64.0	60.9	51.0	44.4
$50,000 to 99,999	60.3	44.9	49.6	43.5
$100,000 to 249,999	54.9	49.7	55.9	42.6
$250,000 to 499,999	72.7	62.4	52.8	41.2
$500,000 to 999,999	59.8	68.8	63.3	40.3
$1,000,000 OR MORE	36.7	34.1	45.8	39.4
YEAR OF FOUNDING				
1969 thru 1971	67.3	46.7	44.1	-
1964 thru 1968	66.2	59.4	57.1	-
Up thru 1963	48.7	52.3	53.8	-

TABLE XI

AVERAGE LEVEL OF INCOME BY ASSET SIZE

	1971	1972	1973	All Federal Credit Unions - 1973
TOTAL	$ 7,865	$10,689	$13,961	-
ASSETS IN 1973				
Less than $25,000	673	871	1,057	$ 906
$25,000 to 49,999	1,937	2,516	3,463	3,261
$50,000 to 99,999	7,049	7,971	7,331	9,785
$100,000 to 249,999	9,675	16,107	22,847	40,040
$250,000 to 499,999	33,047	40,959	57,872	65,383
$500,000 to 999,999	38,239	55,586	65,565	107,076
$1,000,000 or more	21,509	50,774	79,774	142,778

TABLE XII

LOSS RATIOS AND DELINQUENCY RATES BY ASSETS SIZE - 1973

	Avg. Level of Loans Charged Off	Loss Ratio (percent)	All Federal Credit Unions	Delinquency Rate	All Federal Credit Unions
TOTAL	$ 7,377	1.88%	-	-	-
ASSETS IN 1973					
Less than $25,000	1,024	1.78	.78	20.06	12.2
$25,000 to 49,999	6,837	4.11	.53	14.20	6.2
$50,000 to 99,999	6,848	1.79	.51	16.08	5.1
$100,000 to 249,999	9,492	1.91	.43	7.38	4.1
$250,000 to 499,999	22,834	1.79	.37	10.45	3.3
$500,000 to 999,999	18,290	0.92	.32	14.22	3.0
$1,000,000 or more	3,027	0.15	.31	13.61	2.5

APPENDIX C:

Board of Directors and Officers of the National Federation of Community Development Credit Unions

NATIONAL FEDERATION OF COMMUNITY DEVELOPMENT
CREDIT UNIONS

BOARD OF DIRECTORS

President
Adolfo G. Alayon
CABS Demonstration Federal Credit Union
501 Marcy Avenue
Brooklyn, New York 11206
212 453-7600

Vice President
Armistice Powell
East Oakland Credit Union
1314 99th Avenue
Oakland, California 94603
415 635-8798

Treasurer
Willard M. Moore
Inner City Federation of Credit Unions
1133 Harford Avenue
Baltimore, Maryland 21202
301 675-6900

Recording Secretary
Leonard McCornick
MFLICU
1439 N. Franklin Street
Pittsburg, Pennsylvania 15233
412 322-0320

Corresponding Secretary
Beth Wells
Central Area Federal Credit Union
1140 18th Avenue
Seattle, Washington 98112
206 324-5900

Board Members

Larry E. Jones
Low Income Consumers Organization
917 N. Court Street
Visalia, California 93277
209 7325996

Luis Malave
Manhattan Economic Development Federal Credit Union
201 West 99th Street
New York, New York 10025
212 864-4444

Etta Royster
Need Action Federal Credit Union
35 Bishop Street
Waterbury, Connecticut 06704

Juan Lopez
Amigos Unidos Federal Credit Union
P.O. Box 114
San Juan, Texas 78589
414 787-7131

Noemi Rodriguez
El Centro Credit Union
524 West National Avenue
Milwaukee, Wisconsin 53204
414 384-8620

Richard McClure
CMACAO Federal Credit Union
927 Mr. Vernon Avenue
Columbus, Ohio 43203
614 743-7847

Al Science
Norwalk Community Federal Credit Union
P.O. Box 188
South Norwalk, Connecticut 06854
203 866-2464

Clarence Simmons
Clay County Community Credit Union
P.O. Box 943
West Point, Mississippi 39773
601 494-4915

Jim White
Hope Coronado Federal Credit Union
217 South Wahsatch Avenue
Colorado Springs, Colorado 80903
303 632-1258

Robert Mumma
SCICAP Credit Union
Box 189
Corydon, Iowa 50060
515 872-2329

APPENDIX D:

Two Examples of Credit Union Business Plans

CABS DEMONSTRATION FEDERAL CREDIT UNION

A Proposal for Inducing Asset Growth Through Procurement of Non-Member Deposits

Prepared by: Consumer Action Program
of Bedford-Stuyvesant (CABS)
501 Marcy Avenue
Brooklyn, New York 11206
(212) 453-7600

TABLE OF CONTENTS

I.	Introduction and Presentation	1 - 6
II.	Business Plan	
	A. Market Study	7 - 12
	B. Projections of Financial Impact	13 - 17
	C. Technical and Operational Plans	18 - 20
III.	Current Business Programs and Practices	21 - 25
IV.	Appendices and Tables	26 - 38

LIST OF TABLES

I.	Membership, Asset and Income Growth	26
II.	Loan Growth	26
III.	Summary of Loan Activities	27
IV.	Summary and Analysis of Business Loan Activities	28
V.	Growth of Non-Member Deposits	29
VI.	Comparison of Member Share Growth with Growth of Non-Member Deposits	30
VII.	Classification of Share Accounts	31
VIII.	Analysis of Current Delinquency	32

LIST OF APPENDICES

A.	Income in the Bedford-Stuyvesant Community	33
B.	Estimated Deposit Potential of CABS Credit Union Market Area	34 - 35
C.	Total SBA Loans in Bedford-Stuyvesant	35
D.	Types of Businesses Receiving SBA Loans	36
E.	History of CABS Credit Union	37 - 38

(Retyped at the ERIC Clearinghouse in Career Education)

I. INTRODUCTION AND PRESENTATION

* CABS Demonstration Federal Credit Union
* Growth and Present Status
* CABS Credit Union and the Bedford-Stuyvesant Community
* Proposal
* Impact of Proposal on Area Economy
* Impact of Proposal on CABS Credit Union
* Sources of Deposit
* Summary

CABS Demonstration Federal Credit Union

CABS Demonstration Federal Credit Union is a cooperative thrift and credit association located in the Bedford-Stuyvesant community of Brooklyn, New York. It serves its members, however, as a neighborhood financial institution; providing financial, commercial and personal services as well as savings and credit opportunities.

CABS Credit Union is a unique operation. It serves as a neighborhood financial institution and yet, it does not compete with commercial banks. Since its interest is the welfare of its members and not in making profits, it can extend credit to those who in reality have not participated in the financial structure. It gives its members the opportunity to use savings and, more importantly, credit, to better themselves economically and thus to participate to an even greater extent in the financial and economic system. By increasing the economic well-being of its members, it increases the economic well-being of the community itself. Through its activities, programs and services it truly provides the basis for the economic infra-structure needed for a viable community.

Growth and Present Status

CABS Credit Union has shown constant increases in membership, total assets and total loans since its organization in 1967 (Table I, II). It has made a total of 4,318 loans worth $2,036,447.93 during six years of operation. Of this amount $1,873,747.93 was granted as personal loans, $146,300 for business loans and $16,400 as mortgage loans (Table III). Only 1.34% or $26,133.34 of total loans has

been charged off. Approximately 13% of loans charged off has since been recovered.

CABS Credit Union's total assets for the fiscal year ending December 31, 1973 were $624,578.14. Six hundred ninety nine loans worth $421,167.61 were granted during the year. Gross income for the year was $74,838.63. Net income for the same period was $21,356.02.

CABS Credit Union and the Bedford-Stuyvesant Community

The existence of CABS Credit Union has, in addition, had a substantial, wide-reaching impact on the area economy. Its activities and the implied stability and credibility it gives to the activities of its parent corporation, the Consumer Action Program of Bedford-Stuyvesant (CABS), have created jobs, expanded area income, and provided for essential services. Some of the more significant results of the Credit Union's economic development impact are:

*Co-sponsorship, with CABS, of a $2.2 million housing development which provides decent housing to 66 families as well as space for a day care center and community activities.

*Provision of the stability and credibility needed for CABS to obtain a $6.5 million loan for construction of a Nursing Home and Health Related Facility for area elderly. The facility will employ more than 200 -- manny from this community -- and provide care to 160 in-patients and numerous out-patients.

*Provision of seed capital necessary to initiate CABS Housekeeper Service, Inc., a community-owned corporation which employs over 300 area residents and which will soon become a $1 million/year business.

*A business loan program which in a little more than a year has been able to provide over $140,000 in loans to area businessmen. The program has acted to stimulate the entry of area residents into the business world, insure the continued provision of essential services and provide employment to many area residents.

(Retyped at the ERIC Clearinghouse in Career Education)

Efforts such as these demonstrate the significant role CABS Credit Union can play in reversing the current out flow of capital and in helping to create a stable, self-sufficient community.

Proposal

In order to expand its activities, become more self-sufficient and have an even greater impact on the economy of this area, CABS Credit Union must expand total assets by obtaining increased deposits. The Credit Union's present goal is to attract $500,000 in deposits during the current fiscal year. These new deposits will come from "organizations which propose to provide economic assistance to people within the geographical target area served by the Credit Union through the purchase of shares". . . . (non-member depositor). (See page 21 for explanation of non-member deposits).

Impact of Proposal on Area Economy

Increased assets obtained through such "non-member" deposits will be immediately utilized by CABS Credit Union for the purpose of granting secured, minimal risk business loans to residents of the Bedford-Stuyvesant area. Such loans will partially answer the business loan needs of area merchants and entrepreneurs. These small businessmen, so necessary for the provision of services and employment in the inner city, are often unable to secure credit. CABS Credit Union will answer some of those needs and in turn, strengthen the local economic infra-structure.

The $500,000 in increased assets will be used for no more than 10 to 30 business loans. The average size of such loans will range from $20,000 to $30,000. Emphasis will be placed on promoting

those loans which will have the maximum effect on the area economy. Risk will be limited as loans will be covered by a 90% Small Business Administration (SBA) guarantee.

Impact of Proposal on CABS Credit Union

In addition to exerting a positive effect on the area economy, a secured, minimal risk business loan program will have a stabilizing effect on Credit Union operations. Currently, both savings accounts and loan amounts are small. Members, trying to maximize their low income, often use their savings accounts like checking accounts. Loan payments are usually small and numerous. The sale of food stamps and money orders and the cashing of member's checks add to the number of transactions.

There are, therefore, a disproportionate number of transactions per dollar earned. If the Credit Union continues to grow at its present rate, any income from this growth would be consumed by the need for more personnel to service the resulting increase in transactions. Business loans, which require far fewer transactions per dollar earned, can help the Credit Union produce the net income it needs to achieve self-sufficiency without a self-defeating increase in overhead. The business loan program made possible by $500,000 of new non-member deposits will enable the Credit Union to achieve the balance of transactions and income that it needs to continue to provide adequate services to its present and proposed membership.

An influx of non-member deposits now will act to limit the need for such deposits in the future. By providing increased loan potential and by enabling the Credit Union to pay a more substantial

dividend, new members, and therefore deposits, will be attracted. (See Table VI for the effect of previous outside deposits). This inflow of new area deposits will, once again, attract more area depositors, providing the basis for constantly expanded assets. Thus, non-member deposits can act as the catalyst for internal growth and stability necessary for long term success.

Sources of Deposits

Non-member deposits required as the base for CABS Credit Union's plan for stabilization and expansion will be sought from:

1. Organizations which are responsible, community minded groups
2. Organizations which could invest for a long time
3. Organizations which are not likely to attempt to control the credit union's operation
4. Organizations which could invest more if growth conditions warranted additional issues of shares.

Summary

In summary, the proposed $500,000 asset expansion through non-member deposits growth will enable CABS Credit Union to do the following:

1. Diversify its loan porfolio by granting larger loans for business purposes.
2. Answer the growing business loan demand of area businessmen.
3. Generate increased income through large, secure loans for business purposes without creating a need for more staff (and therefore more expenses).
4. Increase dividend payments for the purpose of attracting more area depositors.
5. Generally, to create a full-service neighborhood financial institution whose momentum will insure continued growth and profit over the long run.

The following section presents, in detail, a business plan for achieving the above mentioned goals. It contains a brief market study which examines business opportunities and demonstrated business loan need, a projection of growth and a plan for future technical and operational improvements.

Section III examines current business programs and practices. It illustrates and explains all of CABS Credit Union's programs, explains current business practices and points out protections and guarantees for potential depositors.

II. BUSINESS PLAN

A. Market Study

B. Projections of Financial Impact

C. Technical and Operational Plans for the Future

A. The Market Area

The specific market area served by CABS Demonstration Federal Credit Union is a 62-block area in the northern sector of the Brooklyn, New York community of Bedford-Stuyvesant. The geographic boundaries of this area are Flushing Avenue on the North, Broadway on the East, Lafayette Avenue on the South and Marcy Avenue on the West. (Area enclosed by solid line on Map on Page 8 .) The range of CABS' influence is much wider however. CABS Credit Union also attracts members from adjacent areas of Williamsburg, Bushwick and Bedford-Stuyvesant.

The major, 62-block market area contains a population of almost 60,000 residents. The median family income range in the area is $4,680 to $7,209. Sixty percent of the population is Puerto Rican and 40% is Black. Over 46% of the population is between the ages of 18 and 62.

Total usable income in all Bedford-Stuyvesant (200,000 residents) has been estimated to be $357.0 million dollars (See Appendix A). Since CABS target area represents 30% of the total Bedford-Stuyvesant population, and assuming a random distribution, 30% or $107.1 million of total Bedford-Stuyvesant usable income lies within the CABS target area. Deposit potential for the CABS Credit Union market is estimated at 6% of total personal income (See Appendix B). Thus, annual savings in all types of financial institutions could be estimated to be $4,426,000. If CABS Credit Union were to increase annual member, deposit growth to $120,000, it would therefore represent only .018 of the estimated deposit potential of the area.

THE CONSUMER ACTION
PROGRAM OF
BEDFORD-STUYVESANT, INC.

The housing stock in the area is mostly a mixture of tenements and brownstones. Many of the brownstones while very old, are sound and represent a strong housing base. Approximately 51% of the structures are owner occupied. In addition, three major public housing developments are located in the area.

While a large part of Bedford-Stuyvesant is devoted to residential use, there are several areas of commercial activity. Such areas, containing primarily retail and service establishments, are located on DeKalb Avenue (between Sumner & Throop) Fulton Street and Broadway. While the area on DeKalb is relatively small and restricted to that one block the commercial districts on Broadway and Fulton Street stretch for blocks and contain a great variety of establishments. In addition there are scattered groupings of commercial establishments throughout the Bedford-Stuyvesant area.

Only a few blocks from the Credit Union offices lies an established, thriving commercial area. The main area is a ten block stretch of Graham Avenue within the community of Williamsburg. Also included are subsidiary areas on the side streets: Flushing Avenues, and Cook, Varet, Moore and Vogel Streets.

Many of these establishments continue to be owned by outsiders -- people who are not residents of the community. However, in recent years there has been an increasing trend for area residents to buy out existing stores as owners retire. There have also been increases in the number of residents who establish new businesses.

The new Woodhull Hospital Facility being constructed on the corner of Sumner and Broadway near the Credit Union Office and the present Graham Avenue commercial district will create even more opportunities.

The new facility will bring 2400 staff daily into the area as well as 300,000 annual ambulatory care visits. Area traffic will thus be measurably increased with much of it being pedestrian. Ambulatory patients, family and friends who accompany the visitors of patients and hospital staff will all be exptected to take advantage of various commercial activities and create demands for new types of business.

Both light and heavy industrial activity is located in the Williamsburg area. The proximity of such industry with its needs for sub-contracting and the availability of industrially zoned land and vacant industrial buildings combine to offer opportunities for business development.

There is less industrial activity in the Bedford-Stuyvesant area. Existing activity is located in the area West of Nostrand Avenue. The development of an industrial park in the old Brooklyn Navy Yard has opened up new opportunities in this area, however. Several industrial concerns, the most prominent of which is Sea-Train Shipbuilding Corporation, are already operating and by their presence creating demands for services and small sub-contractors.

Loan Demand in the Market Area

Commercial lending institutions are unable to meet the community credit needs of Bedford-Stuyvesant. Businessmen, residents and consumers of this area are most often considered the least eligible for credit. Banks have not located in the Bedford-Suyvesant area. Additionally, bankers perceive investment in the inner city as high risk and low profit. Mortgages are not approved. Business loans are a rarity. The Bedford-Stuyvesant resident thus is prohibited from using borrowing capability to expand his economic and social mobility.

CABS Credit Union's own experience serves to illustrate loan demand for non-personal uses. In 1973 CABS Credit Union, without extensive marketing or publicity programs, received applications for $822,857 in business loans (Table IV). These have all been solid applications with good prospects for success. However, limited assets restricted actual loans to $64,300 or approximately 13% of the total demanded (Table IV).

The local representatives of the SBA has informed CABS that business loan potential in the Bedford-Stuyvesant area is even greater than our own experience would indicate. He estimates that, with unlimited capital, CABS Credit Union could easily loan two million dollars through SBA guarantee program during a one year period. He bases his estimate on the fact that of the thirty to thirty five interviews he conducts weekly, he packages an average of $50,000 worth of loans. Unfortunately, even though those loans are guaranteed by the SBA, they are often not considered to be good investments by commercial bankers, who seek high profits and quick returns, and thus are not granted.

Despite commercial bankers' reluctance to make SBA loans, over 187 loans worth $4,222,140 (Appendix C) have been granted within the Bedford-Stuyvesant community between 1969 and August of 1973. Loans ranged between $2,000 and $200,000. The average SBA loan during this period was $22,578. The average total loans per year was $844,428. Loans are distributed among a wide variety of retail, service and manufacturing enterprises (Appendix D).

CABS Credit Union, with sufficient assets, would be in a position to consider a great many of these applications. By utilizing the

same caution and selectivity as commercial bankers, the Credit Union could be expected to grant at least $800,000 worth of the two million dollars of potential loan requests. Considered in this light, CABS Credit Union's goal of lending only $500,000 over a one year period is quite modest.

B. Projections of Financial Impact of a Business Loan Program Based on Non-Member Deposits

The tables below illustrate the impact of $500,000 on CABS Demonstration Federal Credit Union. They analyze the growth of assets, interest income, expenses and net income over a four year period. Projections developed in the tables are based on actual operating figures in the final income statement and balance sheet found on Page 16 and 17.

Projected Asset and Interest Income Growth

Year	Asset Growth	Average Assets	Income
1973	$ 587,000 - $ 624,600	$ 605,800 @ 8.4%	$ 51,000
1974	624,600 - 1,124,600	874,600 @ 8.7%	76,100
1975	1,124,600 - 1,244,600	1,184,600 @ 9.0%	106,614
1976	1,244,600 - 1,364,600	1,304,600 @ 9.5%	123,937
1977	1,364,600 - 1,484,600	1,424,600 @ 9.5%	135,337

Asset Growth

It is assumed that the $500,000 of outside deposits will be obtained during the 1974 fiscal year and that these will represent the only deposits during that year.

Thereafter, increase in deposits is projected to be $120,000 annually. This will be entirely in member deposits. Average asset growth during the last three years has been $86,000 annually even though no dividend is being paid. It is assumed that continuing good service and credit advantages of CABS Credit Union coupled with only a modest dividend will increase member deposit growth by 50% or an extra $40,000. An annual deposit of $120,000 would represent only .018 of the estimated

$6,426,000 deposit potential of the CABS field of membership. It could very well be that member deposits will grow at an even faster rate.

Interest Percentage

It is estimated that the most the Credit Union could earn annually would be 9.5% of its average assets. Since the Credit Union is currently earning 8.4% of average assets, we have projected working gradually from 8.4% to 9.5% in the following manner:

1973	8.4%
1974	8.7%
1975	9.0%
1976	9.5%
1977	9.5%

Projected Income and Expenses

	1973	1974	1975	1976	1977
Interest Income	$ 51,000	$ 76,100	$106,614	$123,937	$135,337
Other Income	$ 6,000	$ 6,700	$ 6,700	$ 6,700	$ 6,700
Gross Income	$ 57,000	$ 81,916	$113,314	$130,637	$142,037
Reserves & Dividends (50% Interest Income)	$ 25,500	$ 38,050	$ 53,307	$ 61,968	$ 67,688
Expenses	$ 53,500	$ 53,500	$ 56,175	$ 58,948	$ 61,933
Net Income (Loss)	($22,000)	($9,634)	$ 3,832	$ 9,685	$ 12,416
Surplus Previous Year	$ 6,894	$ 21,694	$ 260	$ 4,092	$ 13,777
Subsidy	$ 17,800	$ 7,200	—	—	—
Surplus	$ 2,694	$ 260	$ 4,092	$ 12,777	$ 26,193

Other Income

Other income represents the sale of food stamps and money orders. The total of $6,000 is based on 1973 figures. Due to an increase of 10¢ in the money order charge, the Credit Union projects a further increase in this income for 1974. It is assumed that this new total will then remain constant throughout the remainder of the projection.

Expenses

The new business loan program will not require any new staff. Therefore, it is projected that expenses be held constant for 1974. Thereafter, expenses will increase by 5% annually.

Subsidy

The subsidy applied to the 1973 and 1974 deficits represents the final installments of the Office of Economic Opportunity (OEO) subsidy grant to the Credit Union.

Surplus

The surplus shown can be used in any of the following ways:

1) increase dividend rate
2) increase loans
3) cover increased operating expenses
4) extra personnel
5) cover expenses of subsidiary offices

CAUS Demonstration Federal Credit Union

Balance Sheet

1/1/73 to 12/31/73

Assets	
Total Loans	$547,832.32
Cash on Hand and in Banks	(25,822.09)
Savings and Loan Shares	770.12
Petty Cash	25.00
Insurance Guarantee	67,265.98
Other Assets	4,481.31
Change Fund	30,000.00
Postage	25.00
TOTAL ASSETS	$624,578.14
Liabilities and Capital	
Accounts Payable	433.23
FICA	367.06
Federal Tax Payable	1,194.40
State Tax Payable	286.20
City Tax Payable	329.26
Shares	518,266.03
Regular Reserve	68,787.77
Special Reserve for Losses	2,637.77
Xmas Club	4,668.00
Undivided Earnings	6,252.40
Gain	21,356.02
TOTAL LIABILITIES & CAPITAL	$624,578.14

C. Technical and Operational Plan

There are presently no immediate plans for changes in personnel, technical operations or office space. Present staff and business location are adequate to maintain operations during the period in which the campaign for outside deposits is being conducted. Present manual accounting methods will also be sufficient during this interim period since loan volume, not loan numbers will increase.

The major immediate goal of CABS Credit Union will be to increase member deposits. Increased loan capabilities and the ability to pay a larger dividend will both stimulate increased deposits from area residents.

The Credit Union, howerver, intends to make a more active effort to stimulate such deposits. The Credit Union has been fortunate to receive the services of a communications design specialist and the expertise of Young and Rubicam, New York Inc. in preparing an area wide campaign to acquaint area residents with the benefits of membership. Planning and design efforts are now underway. In addition, the Credit Union in cooperation with Young and Rubicam will employ five area university students to conduct an aggressive door to door publicity and membership drive.

As membership increases, effective area served expands and income increases, the Credit Union will undertake several improvements in its operations. Such improvements will be designed to increase efficiency, availability to the public and self sufficiency.

As income increases, the Credit Union will assume payment of the salary line which is presently maintained by the Consumer Action

Program of Bedford-Stuyvesant. It may also in the future decide to employ a business loan packager so as to be more self-sufficient. Until such a decision is made however, the Credit Union will utilize the loan analyst and business development specialist employed by the Consumer Action Program.

In an effort to increase visibility and provide better service, CABS Credit Union projects the need to open satellite offices throughout the target area. The establishment of such offices would coincide with membership drives in those areas.

At first, satellite offices would be opened on a part-time basis in already existing community agencies or office space. For example, the first satellite office could be opened in the about to be completed CABS Housing Development Project at 270 Pulaski Street, Brooklyn, New York. The proposed satellite office would be open four hours a day, three days a week and would provide Credit Union services to an area not served by the present office location. A second satellite office site could be located in space provided by the CABS Nursing Home and Health Related Facility when it is completed in 1975. Such a part-time office will offer credit union services to elderly from all areas of Bedford-Stuyvesant as well as residents of the immediate area surrounding the facility.

Finally, CABS projects the improvement of its technical capabilities by the computerization of its accounting procedures. Such an action will simplify bookkeeping problems, reduce delinquency, and reduce staff requirements.

At this time, the Credit Union can not estimate at what point a computer operation will become economically feasible. As loan volume and interest income increase, computerization will become more feasible. We project that a loan volume approaching $1 million would provide the economic base necessary to support a computerization program.

III. CURRENT BUSINESS PROGRAMS AND PRACTICES

Membership

CABS Credit Union's membership is defined as the residents of that area in Brooklyn, New York, which is bounded by Flushing Avenue on the North, Lafayette Avenue on the South, Broadway on the East and Marcy Avenue on the West and "organizations which propose to provide economic assistance to people within the above described area through the purchase of shares (i.e. non-member depositors)...".

CABS Credit Union has 2971 members. Potential membership, within the geographic field, extends to more than 6000 families.

Non-member Deposits

Under the Federally Chartered Credit Union Law, credit union serving low income areas can receive deposits from non-members. These non-members may be non-profit corporations and foundations as well as profit making corporations and individuals. Non-member depositors receive the same dividend as members but have neither voice nor vote in the control and management of the Credit Union.

CABS Credit Union has had a relatively long history of receiving and administering substantial non-member deposits. It received its first non-member deposit from the National Council of Churches of Christ in the U.S.A. on March 21, 1968.

Since then, the Credit Union has received $207,000 in non-member deposits from eighteen depositors. A complete breakdown of such deposits is included in Table V.

Consumer Loans and Services

CABS Credit Union makes loans at low interest rates (1% per month on the unpaid balance) to its members. In its six year history

it has made over $1.8 million dollars of personal loans. (Table III) This total represents 4284 loans with the average loan being $437.00. A borrower is generally asked to have shares equal in dollar amount to 10% of his loan and to be a member for at least sixty days.

The Credit Union cashes welfare checks free thus saving the welfare recipient as much as $1.50 on each check (the amount charged by local check cashing operations). It also operates a Christmas Club, sells money orders and sells food stamps. It provides free life insurance on both loans and savings accounts to its members. In the case of savings accounts, the beneficiary gets twice the value of one deposit. In 1973, the Credit Union paid a 4% dividend on both Christmas Clubs and Savings Accounts. Finally, since each five dollar deposit in the Credit Union represents, in fact, purchase of a share, the Credit Union has brought ownership and thus control of management to the people.

Business Loan Program

In 1972, CABS Credit Union initiated a business loan program designed to provide relatively small amounts of capital to area businessmen who were also members. Since its inception, thirty one loans have been granted. The average loan for this period was $4719.00 (Table IIII).

In 1973, thirty five loan requests for $322,857.00 were received by the Credit Union. Lacking funds to meet such a demand, five of the larger loans were referred to banks and were subsequently granted. May others, however, remain pending. A complete review of 1973 business loan activities is included in Table IV.

Like a commercial bank CABS Credit Union is a participant in the Small Business Administration's Blanket Loan Guaranty program. Under

this program, commercial loans, of up to $25,000 may be guaranteed for 100% of value and larger loans for up to 90% of value.

Accounting Practices

Accounting practices of CABS Credit Union follow guidelines set up by the National Credit Union Administration. Financial records and accounting methods are inspected every two or three months and an audit is conducted annually. CABS Credit Union also retains the accounting firm of Misthal and Schwartz, of 108 South Franklin Avenue, Valley Stream, New York to perform annual audits.

Delinquency

Accounts are not considered delinquent until they fall two months behind. Three catefories of delinquency are maintained: 2 to 6 months, 6 months to 1 year, 1 year and over.

National Credit Union Administration (NCUA) policy requires a credit union to consider a loan delinquent as long as the borrower is more than two months behind in his payments. This policy originated by and for credit unions where loan repayments are made through payroll deduction or whose members are middle class workers. Members of such credit unions rarely have problems in repaying their loans. CABS Credit Union's members, however, often have only marginal incomes. When emergencies arise, they are forced to fall behind in their loan repayments. When they resume payments; their loans are deliquent because they are not able to pay all of the late payments at one time.

This discrepancy between NCUA policy and the reality of life in Bedford-Stuyvesant makes a large delinquency rate. (Table VII). However, when one analyzes the delinquency, one discovers that $41,382.80

of total delinquent loan accounts had received payments during January 1974 or December 1973. Thus, while 94 borrowers are faithfully paying their loans (even though they are two months behind), those accounts are considered delinquent.

Hard core delinquency, those loans which are delinquent and not paying, is thereby reduced to $111,722.94 or a rate of 20%. Many of these loans can be recovered by a more aggressive collection effort or through extensions of time for those who are willing to continue paying.

The Consumer Action Program of Bedford-Stuyvesant (CABS), the parent organization of the CABS Credit Union, has recently begun to contribute a salary line to the Credit Union. This line has been used to employ a collection officer whose primary function is to initiate an aggressive effort to reduce hard core delinquency.

The present goal is to reduce hard core delinquency to between 5% and 10% during the 1974 calendar year.

Charge Off Policy

Due to the nature of many of the outstanding loans and the reality of life in this community, CABS Credit Union does not immediately charge off any loan which appears uncollectible. Loans are generally charged off only when there is very little hope of collection. Determination of uncollectibility is made by the Board of Directors.

Loss Reserve

CABS Credit Union's loss reserve is currently $68,052.67. This represents 12.25% of total receivables. A special reserve of $3,597.98 is also maintained for insurance guaranty.

(Retyped at the ERIC Clearinghouse in Career Education)

Extension of Terms

Terms are extended by lengthening the amount of time required for payback. Decisions on term extension are made by the Credit Committee of the Board of Directors.

Management

CABS Credit Union employs four permanent personnel. These are a manager, credit officer, teller and bookkeeper. All are residents of the community.

The Board of Directors has eleven members. It maintains two standing committees, the Supervisory Committee and the Credit Committee, which contain two and three members respectively.

Other

All employees of CABS Credit Union are covered by a $1,000,000 bond which insures against theft, forgery or embezzlement by any officer or employee. Additional bonds insure offcials of the credit committee and board of directors.

Deposits are insured up to $20,000 by the National Credit Union Administration (NCUA).

IV. APPENDICES AND TABLES

TABLE I

CABS Demonstration Federal Credit Union

Membership, Asset and Income Growth

12/67 to 12/73

Month/Year	Members	Assets	Income
12/73	2917	$ 624,578.14	$ 74,828.63
12/72	2689	587,210.62	63,289.58
12/71	2177	444,824.75	30,964.32
12/70	2486	366,754.03	23,831.23
12/69	1742	254,481.43	15,431.21
12/68	935	67,646.10	3,637.73
12/67	122	1,305.87	.40

TABLE II

CABS Demonstration Federal Credit Union

Loan Growth

12/67 to 12/73

Month/Year	# Loans/Year	Total Loans/Year	Cumulative Balance
12/73	699	$421,167.61	$2,036,447.93
12/72	1045	574,962.80	1,588,280.32
12/71	704	259,307.53	984,673.42
12/70	733	233,161.57	733,411.89
12/69	726	360,976.22	472,945.32
12/68	420	111,329.10	111,969.10
12/67	9	640.00	640.00

TABLE III

CABS Demonstration Federal Credit Union

Summary of Loan Activities

1967 to 1973

Type of Loan	Number	Amount
Personal	4284	$ 1,873,747.93
Business	31	146,300.00 *
Mortgage	3	16,400.00 *
TOTAL	4318	$ 2,036,447.93

Average Personal Loan - $ 437.00

Average Business Loan - $ 4,719.00

Average Mortgage Loan - $ 5,467.00

* These types of loans were not granted before 11/72

TABLE IV

CABS Demonstration Federal Credit Union

Summary and Analysis of Business Loan Activities

1/1/73 to 12/31/73

A. Total Business Development Loan Requests

Item	Number	Dollar Amount
1. Loan Requests Received	35	$ 322,857
2. Loan Requests Processed	30	271,800
3. Loan Requests Referred to Banks	5	51,057

B. Present Status of Loan Requests

Item	Number	Dollar Amount
1. Loans Granted by CABS C.U.	15	$ 64,300
2. Loans Granted by Banks	5	51,057
3. Loan Requests Pending	12	180,000
4. Loan Requests Granted (Refused no longer needed)	1	22,000
5. Loan Requests Projected	2	5,500

C. Analysis of Types of Requests Received

Item	Number	Dollar Amount
1. New Businesses	9	$ 102,357
2. Expansions	16	133,400
3. Buyouts	3	44,000
4. Mortgage or Home Improvement Loans	6	41,900
5. Taxes Payment	1	1,000

D. Analysis of Types of Requests Granted

Item	Number	Dollar Amount
1. New Businesses	5	$ 51,557
2. Expansions	10	26,400
3. Buyout	1	20,000
4. Mortgage of Home Improvement	3	13,400
5. Tax Payment	1	1,000

Average Loan Request Received	$ 9,224
Average Loan Request Granted	$ 5,737
Average Loan Request Granted by CABS C.U.	$ 4,287

TABLE V

CABS Demonstration Federal Credit Union

Growth of Outside Deposits

Name of Organization	Amount	Total	Date of Deposit
National Council of the Churches of Christ in the U.S.A.	$ 10,000	$ 10,000	Mar. 21, 1968
Ted Bates and Company	5,000	15,000	May 16, 1969
Charlton M. Lewis	20,000	35,000	June 25, 1969
Doyle, Dane & Bernbach	10,005.25	45,005.25	July 1, 1969
Geer, Dubois, & Co., Inc.	5,000.25	50,005.50	July 17, 1969
Diener/Houser/Greenthal Co.	5,000.25	55,005.75	July 29, 1969
McGraw-Hill	10,000.25	65,006.00	Aug. 1, 1969
Standard Oil - New Jersey	20,000.00	85,006.00	Aug. 19, 1969
Standard Oil - New Jersey	10,000.00	95,006.00	Dec. 1, 1969
Union Theological Seminary	30,000.00	125,006.00	Feb. 18, 1970
Standard Oil - New Jersey	10,000.00	135,006.00	July 2, 1970
Pfizer, Inc.	10,000.00	145,006.00	Sept. 30, 1970
Standard Oil - New Jersey	10,000.00	155,006.00	Dec. 15, 1970
Consolidated Mutual Ins. Co.	5,000.00	160,006.00	Dec. 21, 1970
Marsteller Foundation	2,000.00	162,006.00	Jan. 3, 1972
Sun Oil Company	5,000.00	167,006.00	Dec. 14, 1973
Merrill Lynch, Pierce, Fenner and Smith Inc.	10,000.00	177,006.00	Jan. 17, 1974
Schaeffer Brewery Employees Credit Union	20,000.00	197,006.00	April 10, 1974
The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the U.S.A.	10,000.00	207,006.00	July 23, 1974

(Retyped at the ERIC Clearinghouse in Career Education)

TABLE VI

CABS Demonstration Federal Credit Union

Comparison of Member Share Growth with Growth of Non-Member Deposits

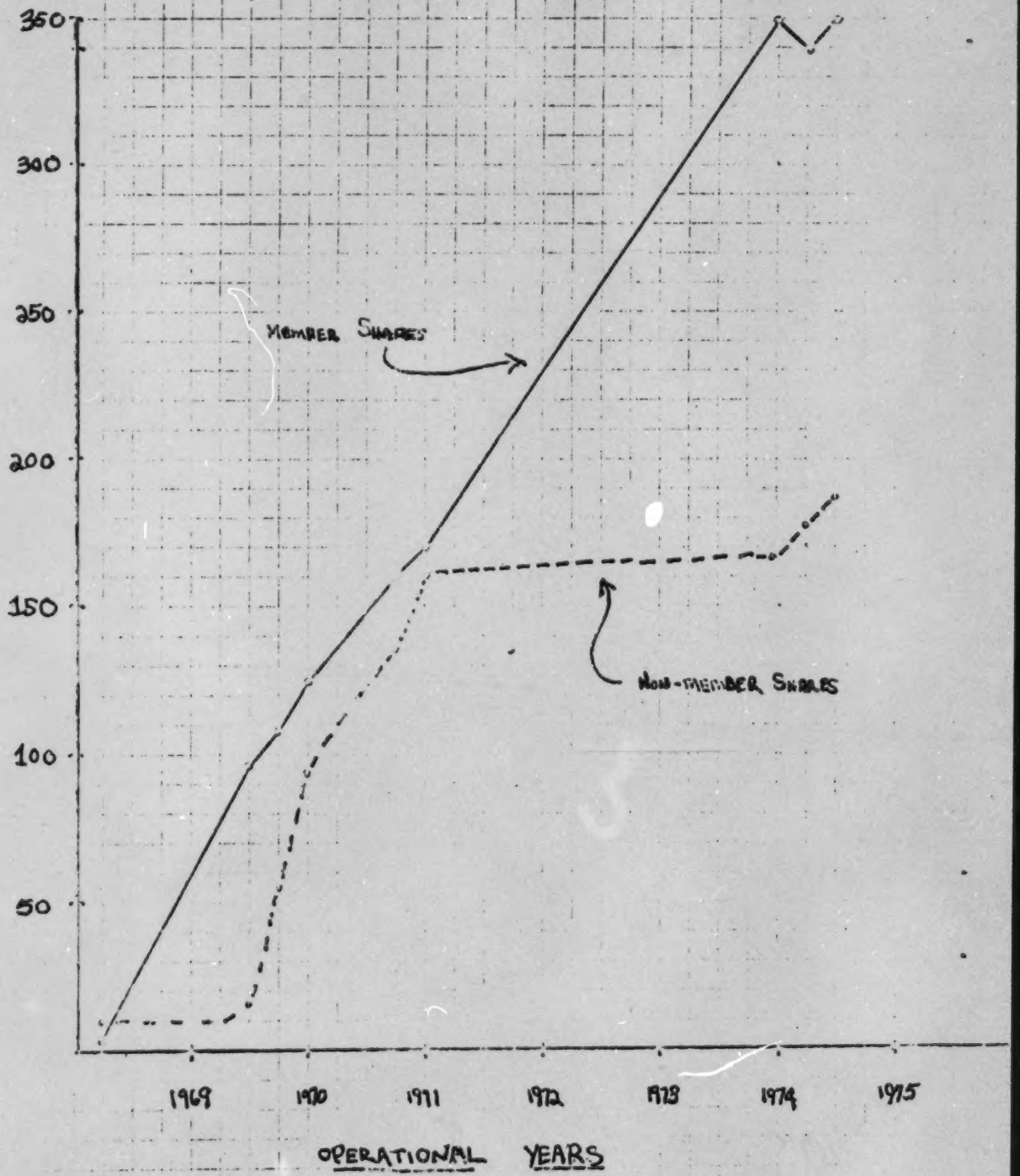


TABLE VII

CABS Demonstration Federal Credit Union

Classification of Share Accounts

December 31, 1973

Size of Members Accounts	Number of Accounts	Total Amount of Savings
$ 500 or less	3080	$ 173,149.27
501 to 1,000	56	36,603.62
1,001 to 2,000	25	31,888.05
2,001 to 5,000	15	49,071.69
5,001 to 10,000	5	36,019.06
10,001 to 20,000	3	33,367.82
20,001 or more	5	162,834.57
TOTAL	3189 *	$ 522,934.03

* Includes Xmas Club

TABLE VIII

CABS Demonstration Federal Credit Union

Analysis of Delinquency

1/3/74

Category		Delinquent Loans According to NCUA	Delinquent Loans but Last Payment 1/74	Delinquent Loans but Last Payment 12/73
2 - 6 Months	Number	100	52	5
	Amount	$ 41,105.67	$ 18,616.80	$ 2,859.00
6 - 12 Months	Number	97	18	8
	Amount	$ 45,860.61	$ 7,044.00	$ 4,814.00
12 Months & Over	Number	168	9	2
	Amount	$ 66,139.49	$ 7,390.00	$ 659.00
TOTAL	Number	365	79	15
	Amount	$153,105.74	$ 33,050.80	$ 8,332.00

Total Delinquent Loans which have received payments during the last two months (1/74 and 12/73 - $41,382.80

APPENDIX A

Income in the Bedford-Stuyvesant Community

The adjusted gross income for Bedford-Stuyvesant in 1969 was $282.8 million. This was composed of:

Profits from local businesses received by resident owners	$ .4 million
Profits from ultiple dwellings received by resident owners	6.6 million
Wages paid by local firms to local residents	44.5 million
Other earnings of local residents	231.3 million

Total personal income in the same year was$235.3 million. Government transfer payments (social security, workmen's compensation, unemployment compensation, public assistance) into the area totalled $121.7 million. Total usable income (total personal income plus transfer payments) was thus $357.0 million.

APPENDIX B

Estimated Deposit Potential of Credit Union Market Area

Using, as a base guide, "The Income Expenditures Patterns as a percent of Income" published in the Statistical Abstract of the United States by the Department of Commerce, spending patterns of Bedford-Stuyvesant residents can be estimated. Percentages utilized represent estimations of the spending patterns of black families.

Income Expenditures as a Percent of Income

Total Expendable Income - $107,100,000

Category	% of Income	Dollar Amount
Food		
Groceries	15.0	$ 16,065,000
Eating Out	1.0	1,071,000
Alcoholic Beverages	.9	963,900
Housing	31.0	33,201,000
Household Operations	2.4	2,570,400
Furniture	2.4	2,570,400
Clothing	9.8	10,495,800
Transportation		
Transit	2.0	2,142,000
Automobile	9.0	9,639,000
Medical & Dental	5.0	5,355,000
Personal Insurance	4.0	4,284,000
Personal Care	1.5	1,606,500
Recreation	3.9	4,176,900
Theater	1.6	1,713,600
Tobacco Products	1.3	1,392,300

Category	% of Income	Dollar Amount
Reading	.3	$ 321,300
Education	.1	107,100
Union Dues	.6	642,600
Savings	6.0	6,426,000
Miscellaneous	.7	749,700

The estimated size of the annual deposit potential for the Bedford-Stuyvesant area is thus $6,426,000.

APPENDIX C

Total SBA Loans In Bedford-Stuyvesant

1/69 to 8/73

Year	# Loans	Total Loans
69	43	$ 647,280
70	38	621,580
71	33	651,250
72	41	1,186,000
73 (Aug.)	32	1,116,030
	187	$4,222,140

Average Loan : $ 22,578
Range of Loans : $ 2,000 to $200,000
Average Loans/Year : $844,428

APPENDIX D

Types of Business Receiving SBA Loans

in Bedford-Stuyvesant

Type	Number
Automobile - Gas	10
Business - Manufacturing	25
Unspecified	40
Wine-Liquor Store	10
Supermarket - Bodega	22
Retail	36
Restaurant - Bar	10
Laundry	8
Service - Repairs	8
Economic Development Corporation	12
Beauty Parlor	4
Bus - Limousine	2

APPENDIX E

History of CABS Credit Union

CABS Demonstration Federal Credit Union was organized by the Consumer Action Program of Bedford-Stuyvesant, Inc. (CABS) in 1967. In that year, CABS was granted Federal Charter No. 18330 to manage and operate a Federal Credit Union under the laws and regulations of the Federal Bureau of Credit Unions and the Federal Credit Union Act.

CABS was organized previously, in late 1966, by low income residents of the Bedford-Stuyvesant area of Brooklyn. CABS was to be the answer to the "ghetto marketing system", that economic system which insured the continuation of poverty within the inner city.

In their basic analysis of the ghetto marketing system and the role of the consumer in it, the organizers of CABS projected as immediate and essential courses of action the need to make credit available at reasonable terms, to improve housing conditions, to raise the quality and scope of health care and to bring about the development of a lively and growing business community. They determined that change could be brought about through the development of institutions that were self-sustaining and entirely independent of subsidy; that provided opportunities for community ownership and management; and that were designed to meet the needs of the poor in Bedford-Stuyvesant.

CABS Demonstration Federal Credit Union has served as the basic tool of CABS' entire development program. It has demonstrated that there is a pressing need for credit in poverty areas and that this need can be met fairly and effectively. It has provided the poor with

the ability to increase purchasing power and effective incomes while giving them a sense of pride in themselves and their community. It has encouraged the practice of saving among people who had previously been unable or unwilling to take advantage of this service in a commercial bank. It has become a vehicle for increasing the flow of capital into this low income area and an effective tool for economic and business development. It has acted to improve housing conditions through co-sponsorship of a 66-unit, low and middle income housing development and health care through co-sponsorship of $6.5 million nursing home and health related facility.

LOWER EAST SIDE FEDERAL CREDIT UNION · 200 EAST 3rd STREET · NEW YORK, N.Y. 10009 · TEL: 228-9414

PLAN FOR SBA GUARANTEED BUSINESS LOANS

AND FOR GROWTH THRU NON-MEMBER DEPOSITS

APRIL 1974

PREPARED BY:

The Staff of LESEDAC
44 Avenue R
New York, N.Y. 10009

Tel. 473-4712

AND FOR GROWTH THRU NON-MEMBER DEPOSITS

THE LOWER EAST SIDE FEDERAL CREDIT UNION

A P R I L 1 9 7 4

This proposal consists of five parts:

- INTRODUCTION: A description of the history of the Credit Union and its relationship to the Lower East Side Economic Development Association for Cooperatives (LESEDAC.)
- Section I: Detailing the current status and policies of the Credit Union.
- Section II: Plan for SBA guaranteed Business Loans.
- Section III: Non-Member Deposits
- Section IV: Appendices and Statistical Tables

INTRODUCTION:

The Lower East Side Federal Credit Union (LESFCU) received its charter on November 14, 1968. LESFCU was organized by the Lower East Side Economic Development Association for Cooperatives (LESEDAC) which was an OEO funded agency organized to form low income cooperative businesses in the Lower East Side of Manhattan. Since July 1972 LESEDAC has been funded by OMBE (The Office of Minority Business Enterprises of the U.S. Department of Commerce.) LESEDAC continues to give technical assistance to the Credit Union.

Under the Lower East Side Federal Credit Union's charter its field of membership stretches from the Brooklyn Bridge on the South to 14th Street, and from the Bowery on the West to the East River. In addition on February 5, 1974 the charter was amended to include people who work within this area as well as people who reside there. This extensive area, population 182,171 (69,590 families) includes all of what is traditionally considered the Lower East Side and extends Southward to include a large part of Chinatown. To date, the Credit

membership.

The Credit Union is an integral part of the LESEDAC program of economic development. LESEDAC's goal has been to create alternative institutions on a cooperative format to provide the entrepreneural and credit structures missing in the area. The Credit Union members refer to it as, "El Banquito" (the little bank) which reflects the role that the Credit Union has in the economic life of this community.

The organization of cooperative structures has a long historical precedence in the Lower East Side. The Jewish and Ukrainian Immigrants who populated the area at the turn of the century had created their savings and funeral societies and a cooperative tradition that has grown to include some of the first cooperative housing in the country, some of the earliest and most famous Settlement Houses, as well as many small scale credit unions. The Puerto Rican people who now make-up the majority of the area's population have also brought with them the experiences of the active credit unions and agricultural marketing cooperatives of their island.

The Lower East Side Federal Credit Union, which started as a demonstration project, has proven itself capable of meeting the financial needs of the community. This includes consumer loans to people who would not be able to receive loans from banks or other lending institutions, among them many welfare recipients. The Credit Union has received authorization from the New York Department of Social Services for Welfare clients to have regular accounts. About 40% of the Credit Union's membership receive public assistance. Their repayment record has in fact been equal to, or better then non-public assistance clients. Through an effective repayment plan and collection procedures the Credit Union has minimized the need to charge-off loans and has effectively controlled delinquency.

Administration to grant business loans with a 90% guarantee. This will enable the Credit Union to service the large viable retail and light manufacturing sector of the target area. The expansion of the Credit Union into this area meets a long standing need of the local economy. In addition it will provide the Credit Union with additional income, leading to total self-sufficiency, which will be of benefit to all members. In order to do this the Credit Union, in coalition with three other similar Credit Unions in New York City, is seeking non-member deposits.

This business plan will accomplish the following:

Section I: Detail the current status and policies of the Credit Union

Section II: Describe how the Credit Union will grant business loans

Section III: Discuss the need for non-member deposits and their impact on the Credit Union.

SECTION I: Present Status and Policies

The Lower East Side Federal Credit Union has 1,776 members as of May 1974. As of this date assets were $386,255.79. There were 421 loans outstanding worth $154,233.81. In the first five months of the year gross income was $12,165.20 and net income $6,995.67. (In Fiscal 1973 gross income was $33,973.26 and net income $21,600.50 on 1,055 loans worth $400,606.91.)

Since its beginning the Credit Union has granted 4,171 loans worth $1,598,323.23. Of these loans $20,271.00, (1.3%) have been charged-off.

A) TERMS OF THE LOANS

The Credit Committee, as authorized by the Credit Union Board, may extend loans to its members that are partially secured by savings. The amount of the loan is determined by a members savings and capacity to make the payments according to a weekly, bi-weekly or monthly payment schedule. The loan is usually for one year, but can be for up to two years. The Credit Committee also has a Special Credit Criteria which allows the member to borrow more with less security. To

be eligible for this criteria a person must either have a verifiable credit rating that is excellent, or be a member for one year and have borrowed a minimum of three loans with excellent repayment. The Credit Committee also has a loan criteria for those members who were delinquent in payment of a past loan. This criteria is designed to help a person rebuild his credit rating. The maximum amount the Credit Union has loaned to any one member to date is $3,000.00.

B) OTHER CREDIT UNION SERVICES

In addition to making loans, the Credit Union encourages its members to save through regular savings accounts, Christmas and Vacation Clubs and Education Accounts. Members checks are cashed in accordance with Credit Union policy, food stamps are sold to those authorized to receive them, and money orders are available. Matching life insurance is granted to all members under a blanket insurance contract paid by the Credit Union. Loan insurance is also received free to every member who borrows from the Credit Union. Whenever possible, financial counseling is offered to the members.

C) ACCOUNTING PRACTICES

As a result of significant growth in 1970, '71 and '72 a tailor made automated accounting system was designed to meet the needs of this unique Credit Union. The system known as the Burroughs L-5000 includes a complete posting program for daily operations that records all members transactions on magnetic ledger cards. It has the capacity of producing a daily journal, monthly trial balance and bi-monthly delinquency report. The delinquency report ages all loans on a 15 day, 30 day, 2-6 months, 6 to 12 months and 12 months and over basis. It also provides a print-out of First, Second, and Third notice statements indicating the payment status of past due loans. Finally, the system is designed to post savings dividends on a quarterly basis and provide a year end print-out of the required form 1099s. Without such a system the Credit Union would not be able to grow, since

it would be most difficult to achieve a break-even point as a result of the need to increase operating staff. The present system can be operated by all staff members and gives the staff maximum flexibility to accomplish the various functions necessary.

D) DELINQUENCY REPORTING AND CHARGE OFF POLICY

As is the case with this Credit Union, most Communtiy Credit Unions either survive or fail as a result of delinquency. To a great extent, those in the community who join the Credit Union during its initial years are people who are looking for credit. The reason for this is that Credit Unions cannot pay a competitive dividend during their start up years. As a result, it is most important to educate the members to the benefits of saving, borrowing at low interest rates, and the importance of repaying their loan according to a schedule. Many members are not accustomed to legitimate low interest Credit with flexible terms that help them save. Through a process of educating the members from the time they join the Credit Union, and with an effective collection system that is operationally feasible, a Credit Union can be a very important effective financial institution. As a result of the recent automated delinquency report and statement notices the Collection Officer has the means to monitor all outstanding loans, and not only control delinquency, but assist the member with financial counseling at the time when the problem of repayment commences. During the five years of service to the community, the Lower East Side Federal Credit Union has written off approximately $20,000.00 of the $1,598,323.23 in loans extended to its membership. This represents about 1.3% of the total loans granted. Most of the loans written-off are a result of loans extended during the initial years of operation.

E) MANAGEMENT-PERSONNEL, BOARD AND COMMITTEES

Credit Unions are charted by the National Credit Union Administration. LESFCU has a five member community Board of Directors which is charged with the responsibility for the general direction and control of the affairs of the Credit

Union and is assigned all the duties customarily performed by a Board of Directors. In addition to the Board there are two committees that are specifically required by law: The Credit Committee and the Supervisory Committee.

The Credit Committee is responsible to carefully inquire into the character and financial condition of each applicant for a loan and his guarantors, if any, to ascertain his ability to repay the loan fully and promptly. The members of this committee are also required to determine whether the loan is sought for a provident and productive purpose.

The Supervisory Committee has the responsibility to make, or cause to be made, such written reports as required by the Federal Credit Union Act and Regulations. This committee also has the obligation to monitor all actions of the Board and Credit Committee and call a special meeting of the members to consider any violation of the provisions of the Act.

F) SHARE INSURANCE AND BONDING

The Lower East Side Federal Credit Union qualified for the National Credit Union Administration Share Insurance whereby all individual members' deposits are insured up to $20,000.00. It also qualifies as a Credit Union which may solicit non-member depositors, individuals and organizations that may wish to deposit funds at the Credit Union but who are not a part of the field of membership. The Credit Union also carries a $1,000,000 surety bond and liability Insurance to protect its members against loss.

SECTION II: BUSINESS LOANS

By instituting the 90% SBA Guarantee Business Loan Program the Credit Union will take another step in becoming a full service financial institution. Under a recent amendment to our present field of membership LESFCU will include not only people who live in the Lower East Side but also people who work in the area as well. Business loans, upon approval by the SBA under its guarantee program, will be made to disadvantaged businessmen or women of the community. Every applicant must show that he has the ability to operate a business successfully and that the loan can be repaid from the earnings of the business. An applicant will be expected to have some of his own money or other assets invested in the business. His character and ability as well as his collateral is most important. The Credit Union will be an additional financial institution helping other community facilities to develop our own area economy. In cooperation with the present programs of the Lower East Side Economic Development Association for Cooperatives, the Credit Union will be providing additional capital that can result in increased job opportunities, boost individual income and local tax revenues through financing and technical assistance as the business loan recipients start up, diversify their operations, and improve their facilities. With this direction, as well as the Credit Union's consumer loan program, the economic strength of the area will be enhanced.

A) BUSINESS CREDIT NEEDS IN THE AREA

The Lower East Side is characterized by a large active retail market. Of note is the wholesale and retail garment stores of Orchard and Delancey Streets, a unique marketing complex which on Sundays draws people from as far away as New Jersey and Long Island. First Avenue is known as a furniture retail district. While most of these businesses still are owned by the original Jewish and European founders, many of whom live outside the area, there is an increasing trend, as the owners retire, to sell them to the area residents employed there. In addition to the inroads made by Spanish speaking area residents in this sector, local entrepreneurs own many

of the "bodegas" and clothing shops which are numerous throughout the area. The high turnover in these businesses result in a selection process in which many fail; others, due to a variety of factors become viable businesses and sound potential clients for business loans. This potentiality is further strengthened when the technical and managerial assistance capabilities of LESEDAC are tied to the Credit Union loan capability.

The target area also includes a large number of light manufacturers, primarily in the garment and printing trades, who can be considered as potential clients.

B) TYPE OF LOANS

The Credit Union plans to scale the initial thrust of its business loans program to smaller loans in the area of $5,000 to $15,000. This will be done in order to gain experience with business loans without excessive risk. It will also permit the Credit Union to build a portfolio of business loans with currently available resources, prior to the anticipated input of non-member deposits described below. The Board of Directors has approved credit criteria for loans up to $25,000 with a three year term.

In providing loans of this scale the Credit Union will be filling a vacuum left by all other area financial institutions. Analysis of the area's retail activity has shown a great need for credit of this nature. On the other hand the policies of banks and the SBA have been to consider such clients as not worthwhile. The Credit Union has pin-pointed a target area for its initial loans which will have maximum economic impact, will provide the Credit Union with needed experience, and will serve a real economic need in the area.

C) LARGER LOANS

As non-member deposit capital becomes available, and as the Credit Union gains experience in the review, approval and servicing of business loans larger loans will be offered. Larger loan packages, will serve to increase Credit Union income, without greatly increasing the number of transactions and man hours needed

for servicing. This will enable the Credit Union to enter into business mortgages as well. To avoid tying up too much of the Credit Union's resources, thereby restricting services to the majority of the members (consumer loans) the Credit Union will be able to avail itself of joint ventures with area banks or where feasible the sale of large, long-term notes to insurance companies with the Credit Union receiving a fee for servicing such notes. The determining factor in transactions of this scale will be to achieve a balance between maximizing service to the members as well as income potential.

D) LESEDAC's ROLE

Throughout the phasing-in and operation of the business loan program, LESEDAC will provide the necessary technical skills and training for the Credit Union personnel. Included in LESEDAC's staff is the capability to analyze loan packages, so the Credit Union will be assured that only viable proposals will be sent to the SBA for approval. Where a need for ongoing business assistance to a potential borrower is indicated, LESEDAC will provide the capabilities to provide or negotiate for this assistance.

E) THE ROLE OF THE BDO's

The Credit Union foresees that most of the projected business loans will be packaged by BDOs, whose function is precisely to create such packages. The Business Development Organizations (BDO's) are non-profit agencies funded by the Office of Minority Business Enterprises. The Credit Union has discussed the business loan program with a number of the BDO's. They have shown much interest since they have experienced great frustration in being able to obtain credit for the many small scale packages that characterize the minority entrepreneurs they are presently serving.

(See Appendix for a listing of area BDOs)

F) EFFECTS OF BUSINESS LOANS ON CREDIT UNION ACTIVITIES

An active Business Loan Program using non-member deposits as its primary source of capital will effect both the number of transactions of the Credit Union and the net income.

The current condition of the Credit Union is lop-sided. It consists of a large number of small accounts. Since most clients are low income, loan payments are usually small and numerous. As mentioned previously, many clients use the Credit Union as "El Banquito" cashing checks, and perhaps depositing payroll or public assistance checks and drawing on them (none of this activity produces income for the Credit Union.) Furthermore, the sale of food stamps and money orders adds to the number of transactions. All of these activities have produced a disproportionate number of transactions per dollar earned. If the Credit Union was to continue to grow in the same fashion it has to date, any income from this growth would be consumed by the need for more personnel to service the resulting increase in transactions. Therefore, it is only by going into business loans, which require far fewer transactions per dollar earned, that the Credit Union will be able to produce the net income it needs to achieve self-sufficiency without a self-defeating increase in overhead. The business loan program will enable the Credit Union to achieve the balance of transactions and income that it needs to continue to service its members as it has to date.

SECTION III: NON-MEMBER DEPOSITS

Under the Federally Chartered Credit Union Law, those Credit Unions approved can receive deposits from non-members. These can be non-profit corporations and foundations as well as profit making corporations and individuals. These depositors may receive dividends on their deposits, but as non-members will have neither voice nor vote in the control and management of the Credit Union.

The concept of non-member deposits relates to a fundamental reorientation of Credit Union philosophy to meet the needs of low income people. Traditional Credit Union philosophy (in the United States) states that members pool their savings to provide themselves with a source of credit. Since by definition low income people have limited saving capacity the size and strength of any low income Credit Union is limited. So limited, as we have seen, that any low income Credit Union built along these lines will not be capable of generating the income needed to achieve self-sufficiency.

The need for credit, and the ability to use, pay for, and service it among these same low-income people, however, is many times higher than their ability to save. This would also include the need for credit among low-income businesses. If the Credit Union is seen as pooling credit needs, rather then savings, a much larger, and subsequently economically viable institution can be conceived. It is the input of non-member deposits to meet these pooled credit needs that would make such an approach realistic.

A) THE NEW YORK FOUR

In Spring 1974, Mr. Robert Dolan of the National Center for Urban Ethnic Affairs organized four New York area Credit Unions into a coalition to seek non-member deposits.

The Four Credit Unions are:

1) The Lower East Side Federal Credit Union (LESFCU)

2) Community Action Bedford-Stuyversant (CABS) Demonstration Federal Credit Union

3) Union Settlement House Federal Credit Union

4) The Upper West Side Federal Credit Union

All four of these Credit Unions are similar in scale and field of membership. They all have expressed motivation to begin business loan programs and to use the non-member deposit concept to achieve financial autonomy.

One of the four, CABS Federal Credit Union has been aggressively seeking non-member deposits since it began operations in 1968. Based on the success that this Credit Union has had in attracting and using non-member deposits the four Credit Unions have joined together. A large scale program of non-member deposits in these four Credit Unions will produce a broad economic impact in New York City's low income areas, as well as charting a new course for Credit Union throughout the country.

B) REASONS FOR NON-MEMBER DEPOSITS

The non-member deposit program will enable the Lower East Side Federal Credit Union to embark upon the ambitious business loan program discussed in the previous section.

It will enable the Credit Union to produce enough income to achieve self-sufficiency. In addition, the increased income will enable the Credit Union to pay larger dividends making it more attractive to both area depositors as well as further non-member depositors. The first phase of large scale non-member deposits will act as a catalyst to turn the Credit Union into an ever expanding, ever-more profitable, community financial institution.

C) SOURCES OF NON-MEMBER DEPOSITS

Non-member deposits will be sought from foundations, non-profit organizations, profit making corporations and individuals.

They could be direct deposits into the Credit Union with the depositor collecting the regular dividend as issued. In this case some guarantee as to the length of time of the deposit would be necessary. Deposits could also be made in the form of a non-interest paying loan thru a non-profit tax-exempt community organization. This conduit organization would deposit the funds in the Credit Union and use the dividends produced to pay the principal of the loan. When the loan is paid the conduit organization would have clear ownership of the funds and the original investor would have regained the money invested. LESEDAC, as described in the introduction, could function as such a conduit.

CABS Credit Union has described sources for non-member deposits as follows:

1) Organizations which are responsible, community minded groups.
2) Organizations which could invest for a long period time.
3) Organizations which are not likely to attempt to control the Credit Union's operation.
4) Organizations which could invest more if growth conditions warranted additional share deposits.

D) PROJECTION OF IMPACT OF NON-MEMBER DEPOSITS

The tables below compare the financial condition of the Credit Union with and without non-member deposits. The two key concerns are the quantities of assets available to be loaned, and the amount of income produced by the loaning of these assets.

It is estimated that the most the Credit Union could earn annually is 10.0 % of its average assets. Since the Credit Union is currently earning 8.2% of average assets we have projected a gradual increase from 8.2 to 10.0% as

follows:

1973.....8.2%
1974..... 8.4%
1975..... 9.0%
1976..... 9.5%
1977.....10.0%

ASSET GROWTH WITHOUT NON-MEMBER DEPOSITS

Year	Assets Growth	Average Assets Per Month		Income Rate	Total Income
1973	$396,591 - $332,177	$387,975	@	8.2%	$31,814
1974	342,253 - 450,000	416,667	@	8.4%	35,000
1975	450,000 - 545,000	458,333	@	9.0%	41,250
1976	550,000 - 655,000	500,000	@	9.5%	47,500
1977	655,000 - 720,000	541,667	@	10.0%	54,167

ASSET GROWTH WITH NON-MEMBER DEPOSITS

Year	Asset Growth & Non-Member Deposits		Income Rate	Total Income
1974	$450,000 + $65,000 = $515,000	@	8.8%	$45,320
1975	545,000 + 120,000 = 665,000	@	9.4%	62,510
1976	655,000 + 210,000 = 865,000	@	10.0%	86,500
1977	720,000 + 280,000 = 1,000,000	@	10.6%	106,000

The total income includes interest from both business and consumer loans. Income will be ured to cover operating expenses, salaries of personnel, and to increase dividend rates.

The increased assets from non-member deposits will be used for business loans, consumer loans, educational loans, mortgage and FHA home improvement loans. The projected inputs of non-member deposits will create the asset base and yield the needed income to turn the Lower East Side Federal Credit Union into a million dollar Credit Union, that will be an ongoing community financial rescurce.

SECTION IV: APPENDICIES AND STATISTICAL TABLES

A) MEMBERSHIP ASSETS & LOAN GROWTH:

The table and charts on the following four pages record the growth of the Lower East Side Federal Credit Union since its inauguration. It will be noted that both cumulative membership and cumulative shares in 1973 fell below that of the previous year. In effect, 1973 represented the entering of a new phase of operations for the Credit Union. The deviation from the steady growth pattern was due to the following occurances:

1) The Credit Union moved to a fully computerized accounting system. As no system on the market existed that could adequately respond to the operations of this Credit Union, a tailor made program was designed with the assistance of LESEDAC. The design, testing and implementation as well as the verification and transfer of all accounts from the manual ledgers to the computer cards and account books absorbed much of staffs energy during the year.

2) At the same time new emphasis was placed on the need to bring delinquency under control. Intensive efforts were made to recover unpaid loans, many of which were outstanding from the first years of operation. The effects of the manual bookkeeping with its inherent difficulties in detecting delinquency was fully perceived, and brought under control prior to the conversion to the automated system.

3) In order to accomplish the above staff made little attempt at outreach to recruit new members, or encourage the taking of loans. Furthermore, new stricter loan criteria were developed and put into effect. The position of loan officer was created, and staff was trained to perform research and credit checks on members loan applications.

4) Finally, a tightening of the policies of the Department of Social Services towards limited and fixed income clients limited the capacity of those members of the Credit Union to make loans.

TABLE I

LOWER EAST SIDE FEDERAL CREDIT UNION

Membership, Assets and Loan Growth

1969 - to May 1974

MONTH/YEAR	MEMBERS	ASSETS	#LOANS/YR.	LOANS/YR.	TOTAL LOANS	LOANS CHARGED OFF SINCE ORGANIZATION 2/28/74	RECOVERIES ON LOANS CHARGED OFF SINCE ORGANIZ.
5/74	1,776	386,255.79	260		1,598,323.23	20,271.00	891.95
12/73	1,727	332,177.49	1,055	400,606.91	1,489,757.33		
12/72	1,826	389,159.77	1,029	464,456.42	1,089,150.42		
12/71	1,436	259,429.57	1,088	431,255.00	623,694.65		
12/70			578	176,355.00	191,434.00		
12/69	299	14,777.44	97	15,079.00	15,079.00		

CHART I

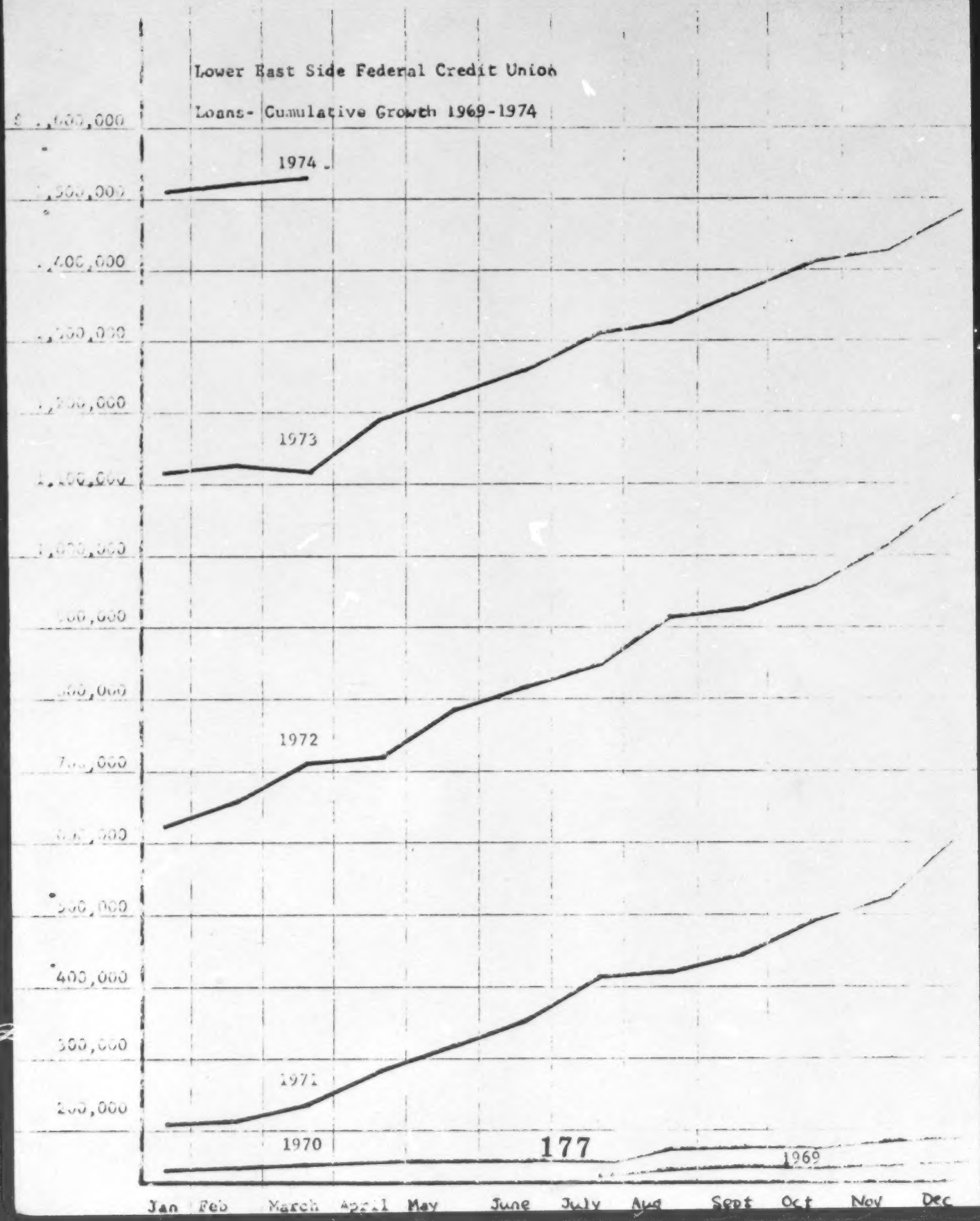

Lower East Side Federal Credit Union
Loans- Cumulative Growth 1969-1974
1974
1973
1972
1971
1970
1969
Jan
Feb
March
April
May
June
July
Aug
Sept
Oct
Nov
Dec

CHART 11

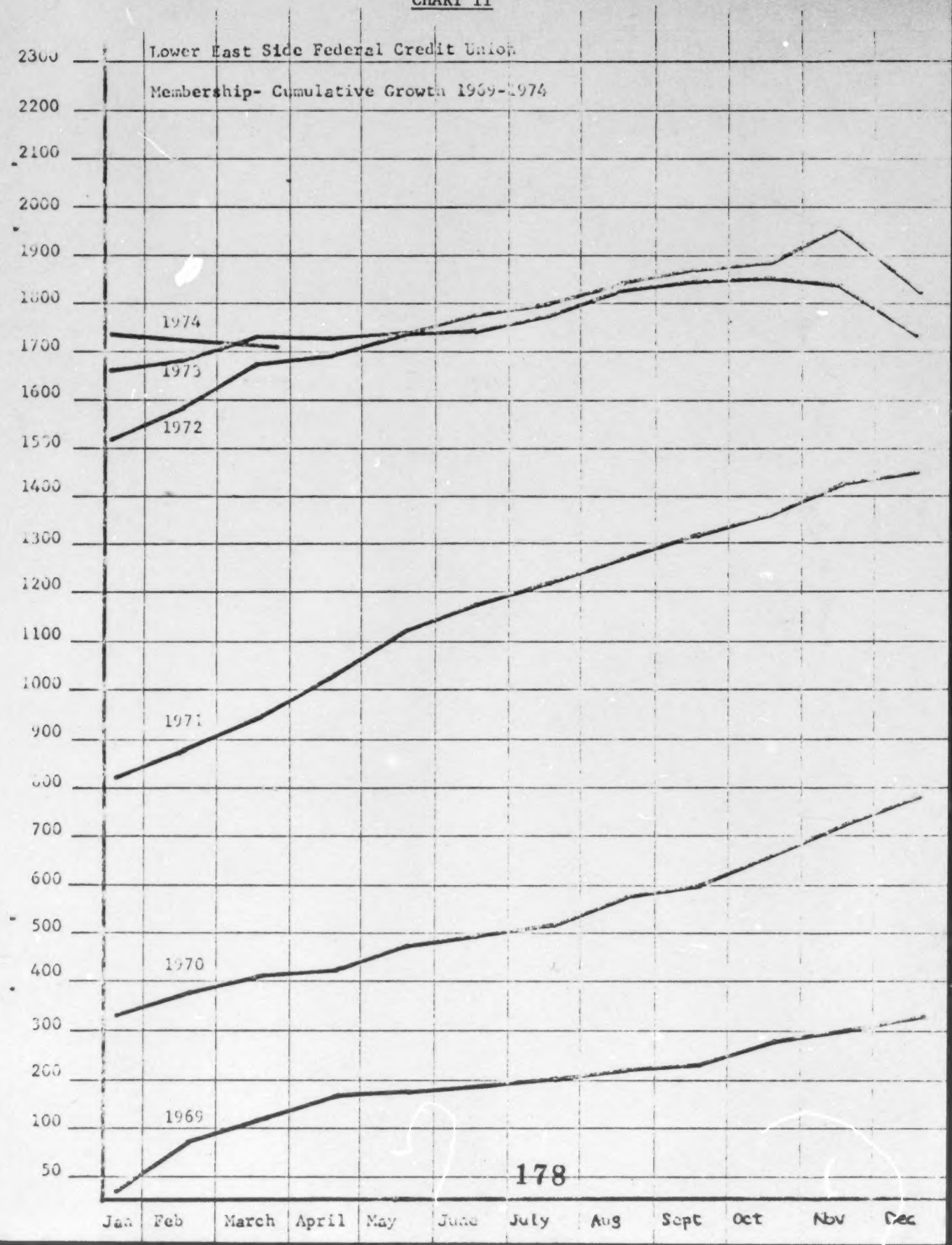
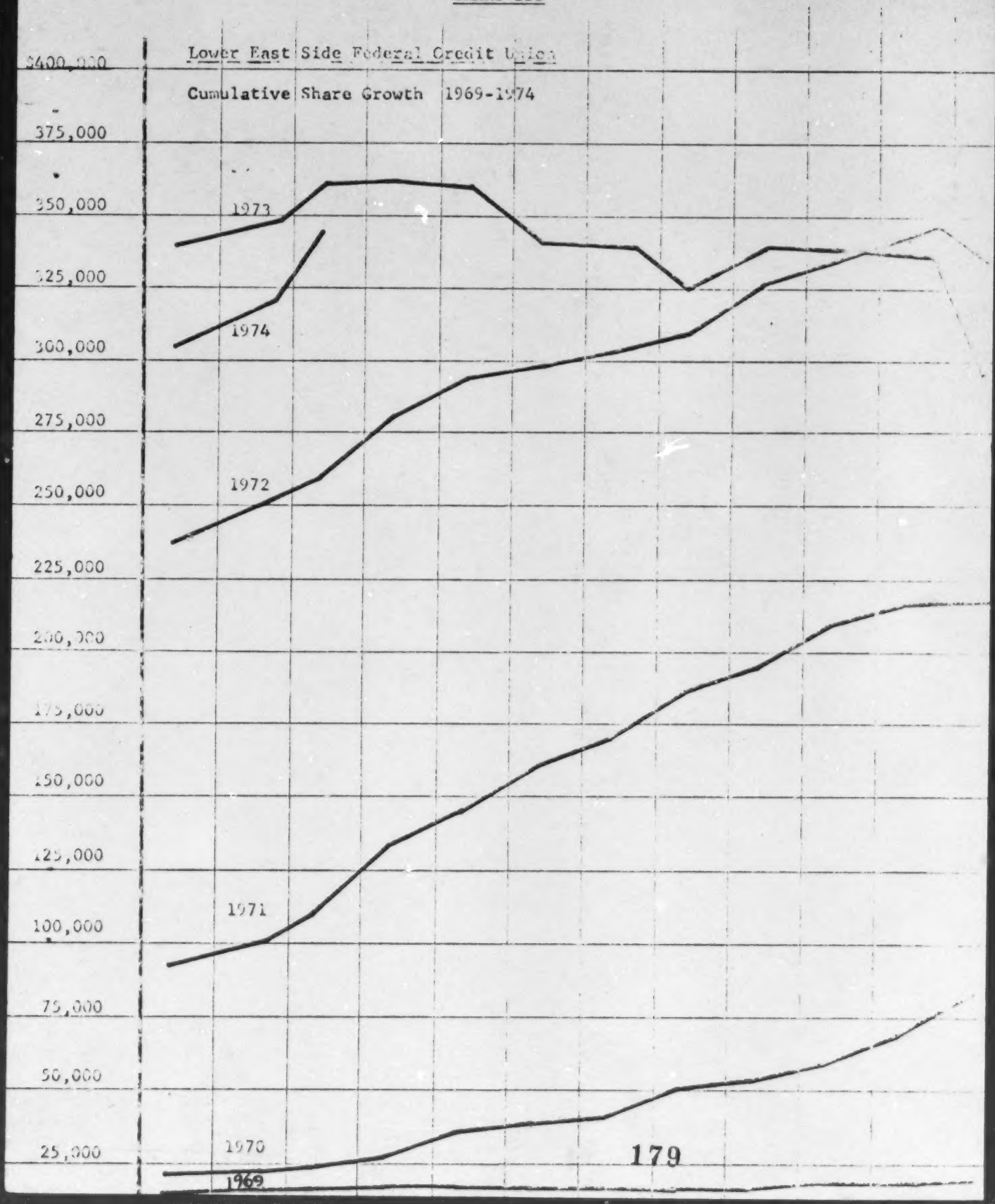

Lower East Side Federal Credit Union
Membership- Cumulative Growth 1969-1974
2300
2200
2100
2000
1900
1800
1700
1600
1500
1400
1300
1200
1100
1000
900
800
700
600
500
400
300
200
100
50
1974
1973
1972
1971
1970
1969
Jan
Feb
March
April
May
June
July
Aug
Sept
Oct
Nov
Dec

CHART III


Lower East Side Federal Credit Union
Cumulative Share Growth 1969-1974
400,000
375,000
350,000
325,000
300,000
275,000
250,000
225,000
200,000
175,000
150,000
125,000
100,000
75,000
50,000
25,000
1973
1974
1972
1971
1970
1969

For Period Ended December 31, 19 71 Charter No. 19104

LOWER EAST SIDE FEDERAL CREDIT UNION

Address 200 E. 3rd Street, New York, N.Y. 10009
Street and Number City - State Zip Code

BALANCE SHEET

ACCT NO	ASSETS	END OF THIS MONTH NUMBER	UNPAID BALANCES
101	Loans		
	DELINQUENT:		
	2 to less than 6 months	54	18841 50
	6 to less than 12 months	36	13209 46
	12 months and over	17	4846 95
	Subtotal	107	36897 91
	Current and less than 2 months delinquent		214217 57
101	Total Loans		251115 48
104 105 106	Cash on Hand and in Banks		7927 09
107	U.S. Government Obligations		
108	Savings and Loan Shares		
109	Loans to Other Credit Unions		
112	Furniture, Fixtures and Equipment		
114	Prepaid Insurance		
115	Other Assets		387 00
116	Land and Building		
117	Shares or Deposits in Central CU's		
118	Federal Agency Securities		
122	Loans Purchased from Liquidating CU's		
	Total Assets		259429 57
	LIABILITIES AND CAPITAL		
301	Accounts Payable		
302	Notes Payable		30000 00
304	Withholding Taxes Payable		
305	Social Security Taxes Payable		
309	Deferred Gain on Liquidation of Loans		
333	Unempl. Comp. Tax Payable		
310	Shares		220042 24
311	Regular Reserve		2220 08
315	Special Reserve for Losses		
316	Special Reserve for Delinquent Loans		4808 73
318	Reserve for Contingencies		
312	Undivided Earnings		2358 52
313	Gain or (Loss)		
	Total Liabilities and Capital		259429 57

STATEMENT OF INCOME AND EXPENSE

ACCT NO	INCOME	THIS MONTH	FROM TO DATE
401	Interest on Loans (Gross)	1665 86	14724 1
	Less Interest Refunds		
401	Interest on Loans (Net)	1665 86	14724 1
405	Income from Investments		
406	Gain on Sale of Bonds		
409	Other Income	3 50	65 2
415	Income: Loans of Liq. CU's		
	Total Income	1669 36	14789 3
	EXPENSES		
202-1	Treasurer's Salary		
202-2	Other Salaries		
202-3	Borrowers' Insurance	143 50	1259 2
202-4	Life Savings Insurance	143 12	1168 7
202-5	League Dues		5 6
202-6	Surety Bond Premium	2 25	29 2
202-7	Examination Fees		288 2
202-8	Supervision Fee		31 2
202-9	Int. on Borrowed Money		890 5
202-10	Stationery and Supplies		
202-11	Cost of Space Occupied		
202-12	Educational Expense		
202-13	Collection Expense		77 0
202-14	Depreciation Furn., Fix and Equip		
202-15	Social Security Taxes		
202-16	Other Insurance		
202-17	Recording Fees Chattel Loss Ins		
202-18	Communications		
202-19	Losses on Sale of Bonds		
202-20	Cash Over and Short	27 50	(50 9
202-21	Other Losses	289 53	289 5
202-22	Bank Service Charge	102 17	753 2
202-23	Unempl. Comp. Tax		
202-24	Reimbursement for Services		
202-	Conventions & Conferences		
202-	Supervisory Comm. Exp.		
202-	Annual Meeting Expense		
202-28	Share Ins.		72 5
202-29	CU Pack. Ins.	20 70	77 9
202-30	Misc. General Expense	107 55	512 2
	Total Expenses	836 32	5404 5
	Net Gain or (Loss)	833 04	9384 8

STATISTICAL INFORMATION

180

ITEM		NUMBER	AMOUNT	
1	No. of accounts at end of period	1436	XXXXXX	XX

ITEM		AMOUNT
5	Loans charged off since organization	2865 3
6	Recoveries on loans charged off since	

FINANCIAL AND STATISTICAL REPORT

For Period Ended December 31st, 19 1972 Charter No. 11904

LOWER EAST SIDE FEDERAL CREDIT UNION

Address 200 East Third Street, New York, New York 10009
Street and Number City - State Zip Code

BALANCE SHEET

ACCT. NO.	ASSETS	END OF THIS MONTH NUMBER	UNPAID BALANCES
101	Loans		
	DELINQUENT:		
	2 to less than 6 months		
	6 to less than 12 months		
	12 months and over		
	Subtotal		
	Current and less than 2 months delinquent		
101	Total Loans		279,494 15
104 105 106	Cash on Hand and in Banks		88,385 49
107	U.S. Government Obligations		
108	Savings and Loan Shares		
109	Loans to Other Credit Unions		
112	Furniture, Fixtures and Equipment		19,493 40
114	Prepaid Insurance		
115	Other Assets		25 30
116	Land and Building		
117	Shares or Deposits in Central CU's		
118	Federal Agency Securities		
122	Loans Purchased from Liquidating CU's		
126	Other Deferred Expenses		1,758 43
	A/C Receivable MHT		3 00
	Total Assets		389,159 77
	LIABILITIES AND CAPITAL		
301	Accounts Payable		12,987 56
302	Notes Payable		25,000 00
304	Withholding Taxes Payable		
305	Social Security Taxes Payable		
309	Deferred Gain on Liquidation of Loans		
333	Unempl. Comp. Tax Payable		
310	Shares		332,637 72
311	Regular Reserve		377 80
315	Special Reserve for Losses		
316	Special Reserve for Delinquent Loans		
318	Reserve for Contingencies		
312	Undivided Earnings		100 46
313	Gain or (Loss)		18,056 23
	Total Liabilities and Capital		389,159 77

STATEMENT OF INCOME AND EXPENSE

ACCT NO	INCOME	THIS MONTH	FROM INCEPTION TO DATE
401	Interest on Loans (Gross)	2,150 28	23,846 33
	Less: Interest Refunds	3 57	390 46
401	Interest on Loans (Net)	2,146 71	23,455 87
405	Income from Investments	692 38	1,705 99
406	Gain on Sale of Bonds		
409	Other Income	39 42	1,038 47
415	Income: Loans of Liq. CU's		
	Total Income	2,878 51	26,200 33
	EXPENSES		
202-1	Treasurer's Salary		
202-2	Other Salaries		
202-3	Borrowers' Insurance	186 35	1,887 87
202-4	Life Savings Insurance	227 46	2,147 53
202-5	League Dues		138 [illegible]
202-6	Surety Bond Premium	13 80	165 60
202-7	Examination Fees		463 00
202-8	Supervision Fee		77 83
202-9	Int. on Borrowed Money		300 00
202-10	Stationery and Supplies		
202-11	Cost of Space Occupied		
202-12	Educational Expense		
202-13	Collection Expense	(16 09)	175 [illegible]
202-14	Depreciation Furn. Fix. and Equip.		
202-15	Social Security Taxes		
202-16	Other Insurance		63 84
202-17	Recording Fees Charter Loan Ins.		
202-18	Communications		
202-19	Losses on Sale of Bonds		
202-20	Cash Over and Short	82 79	23 10
202-21	Other Losses		
202-22	Bank Service Charge	56 81	969 [illegible]
202-23	Unempl. Comp. Tax		
202-24	Reimbursement for Services		
202-	Conventions & Conferences		
202-	Supervisory Comm. Exp.		
202-	Annual Meeting Expense		
	Share Ins.		183 [illegible]
	Package Ins.	33 89	495 [illegible]
	Cre. Bureau Exp.	35 00	37 75
202-30	Misc. General Expense		1,013 [illegible]
	Total Expenses	620 01	[illegible]
	Net Gain or (Loss)	[illegible]	

STATISTICAL INFORMATION

181

ITEM		NUMBER	AMOUNT	ITEM		AMOUNT
1	No. of accounts at end of period	1826		5	Loans charged off since organization (105)	10,155 87
			XXXXXX XX	6	Recoveries on loans charged off since	

For Period Ended _____ 19 72 Charter No. 19 04

LOWER EAST SIDE FEDERAL CREDIT UNION

Address 200 E 3rd St. New York, N.Y. 10009
Street and Number City-State Zip Code

BALANCE SHEET

ACCT. NO.	ASSETS	END OF THIS MONTH NUMBER	UNPAID BALANCES
101	Loans		
	DELINQUENT		
	2 to less than 6 months	67	14,000 15
	6 to less than 12 months	50	9,703 39
	12 months and over	78	12,000 11
	Subtotal	195	35,711 65
	Current and less than 2 months delinquent		156,464 63
101	Total Loans		192,176 28
103-105	Cash on Hand and in Banks		42,953 35
107	U.S. Govt. Income Obligations		
108	Savings and Loan Shares		
109	Loans to Other Credit Unions		
112	Furniture, Fixtures and Equipment		12,120 90
114	Prepaid Insurance		
115	Other Assets		197 69
116	Land and Building		
117	Shares or Deposits in Central CU's		
118	Federal Agency Securities		
122	Loans Purchased from Liquidating CU's		
15	Govt Securities		77,236 71
132	Other Def Exp.		1,477 56
132	A/C Receivable		6 00
	Total Assets		332,177 49
	LIABILITIES AND CAPITAL		
301	Accounts Payable		3,009 97
302	Notes Payable		
307	Withholding Taxes Payable		
308	Social Security Taxes Payable		
309	Deferred Gain on Liquidation of Loans		
333	Unempl. Comp. Tax Payable		
310	Shares		296,079 11
311	Regular Reserve		2,151 55
313	Special Reserve for Losses		
316	Special Reserve for Delinquent Loans		3,435 20
318	Reserve for Contingencies		
312	Undivided Earnings		100 40
313	Gain or (Loss)		21,600 50
	Total Liabilities and Capital		332,177 49

STATEMENT OF INCOME AND EXPENSE

ACCT NO	INCOME	THIS MONTH	FROM
401	Interest on Loans (Gross)	1,556 00	20,000 [illegible]
	Less: Interest Refunds		
401	Interest on Loans (Net)	1,556 00	[illegible]
405	Income from Investments	1,923 71	[illegible]
406	Gain on Sale of Bonds		
409	Other Income	47 28	[illegible]
415	Income: Loans to Liq. CU's		
	Total Income	3,527 19	32,973 [illegible]
	EXPENSES		
202-1	Treasurer's Salary		
202-2	Other Salaries		
202-3	Bonding	[illegible]	[illegible]
202-4	Life Savings Insurance	218 00	[illegible]
202-5	Regular Dues		[illegible]
202-6	Surety Bond Premium	13 00	[illegible]
202-7	Examination Fees		[illegible]
202-8	Supervision Fee		[illegible]
202-9	Int. on Borrowed Money		
202-10	Stationery and Supplies	967 06	[illegible]
202-11	Cost of Space Occupied		
202-12	Educational Expense		
202-13	Collection Expense	(70 10)	[illegible]
202-14	Depreciation Furn. Fix. and Equip.	2,113 50	[illegible]
202-15	Social Security Taxes		
202-16	Other Insurance Fid.		[illegible]
202-17	Recording Fees Liquidations		
202-18	Communications		
202-19	Losses on Sale of Bonds		
202-20	Cash Over and Short	152 06	[illegible]
202-21	Other Losses	105 07	[illegible]
202-22	Bank Service Charge	111 81	[illegible]
202-23	Unempl. Comp. Tax		
202-24	Reimbursement for Services		
202-	Conventions & Conferences		
202-	Supervisory Comm. Exp.		[illegible]
202-	Annual Meeting Expense		[illegible]
202-30	Share Dgs.		[illegible]
202-39	Back. Tax.	21 00	[illegible]
202-50	Misc. General Expense	[illegible]	[illegible]
	Total Expenses	[illegible]	[illegible]
	Net Gain or (Loss)	(362 32)	[illegible]

STATISTICAL INFORMATION

182

ITEM		NUMBER	AMOUNT
4	No. of accounts at end	[illegible]	
5	Loans charged off since organization		[illegible]
6	Recoveries on loans charged off since		

DESCU Report for May 1974

FINANCIAL AND STATISTICAL REPORT

For Period Ended May 31, 1974 Charter No. 19104

LOWER EAST SIDE FEDERAL CREDIT UNION

Address 200 E. 3rd St. New York, N.Y. 10009
Street and Number City - State Zip Code

BALANCE SHEET

ACCT. NO.	ASSETS	END OF THIS MONTH NUMBER	UNPAID BALANCES
101	Loans		
	DELINQUENT		
	2 to less than 6 months		
	6 to less than 12 months		
	12 months and over		
	Subtotal		
	Current and less than 2 months delinquent		
101	Total Loans		154,233 81
104-105 106	Cash on Hand and in Banks		41,111 49
107	U.S. Government Obligations		
108	Savings and Loan Shares		
109	Loans to Other Credit Unions		
112	Furniture, Fixtures and Equipment		18,129 90
114	Prepaid Insurance		
115	Other Assets		261 69
116	Land and Building		
117	Shares or Deposits in Central CU's		
118	Federal Agency Securities		
122	Loans Purchased from Liquidating CU's		
119	ICU Gov't Securities		171,035 34
127	Other Def. Exp.		1,477 56
132	A/C Rec. MHT		6 00
	Total Assets		386,255 79
	LIABILITIES AND CAPITAL		
301	Accounts Payable		3,708 60
302	Notes Payable		
304	Withholding Taxes Payable		
305	Social Security Taxes Payable		
309	Deferred Gain on Liquidation of Loans		
333	Unempl. Comp. Tax Payable		
310	Shares		348,157 50
311	Regular Reserve		6,957 16
315	Special Reserve for Losses		
316	Special Reserve for Delinquent Loans		8,436 20
318	Reserve for Contingencies		
312	Undivided Earnings		15,146 99
313	Gain or (Loss)		3,849 34
	Total Liabilities and Capital		386,255 79

STATEMENT OF INCOME AND EXPENSE

ACCT NO.	INCOME	THIS MONTH	FROM TO DATE
401	Interest on Loans (Gross)	1,245 24	3,281 11
	Less: Interest Refunds		
401	Interest on Loans (Net)	1,245 24	3,281 11
405	Income from Investments	1,124 04	1,906 92
406	Gain on Sale of Bonds		
409	Other Income	145 00	310 07
415	Income: Loans of Liq. CU's		
	Total Income	2,514 28	5,498 10
	EXPENSES		
202-1	Treasurer's Salary		
202-2	Other Salaries		
202-3	Borrowers' Insurance	97 76	305 27
202-4	Life Savings Insurance	233 25	667 35
202-5	League Dues		
202-6	Surety Bond Premium	13 80	41 40
202-7	Examination Fees		
202-8	Supervision Fee		
202-9	Int. on Borrowed Money		
202-10	Stationery and Supplies		
202-11	Cost of Space Occupied		
202-12	Educational Expense		
202-13	Collection Expense	48 66	108 59
202-14	Depreciation Furn. Fix. and Equip.		
202-15	Social Security Taxes		
202-16	Other Insurance		
202-17	Recording Fees Chattel Loan Ins.		
202-18	Communications		
202-19	Losses on Sale of Bonds		
202-20	Cash Over and Short	29 43	64 36
202-21	Other Losses		
202-22	Bank Service Charge	69 76	120 17
202-23	Unempl. Comp. Tax		
202-24	Reimbursement for Services		
202-	Conventions & Conferences		
202-	Supervisory Comm. Exp.		
202-	Annual Meeting Expense		
202-29	C.U. Pack. Ins.	21 80	65 40
202-30	Misc. General Expense	274 52	276 22
	Total Expenses	788 98	1,648 76
	Net Gain or (Loss)	1,725 30	3,849 34

STATISTICAL INFORMATION

183

ITEM		NUMBER	AMOUNT
1	No. of accounts at end of period		XXXXXX XX
2	No. of potential members	50,000	XXXXXX XX

ITEM		AMOUNT
5	Loans charged off since organization	20,271 02
6	Recoveries on loans charged off since organization	1,022 22

C) LIST OF AREA BDOs

1. Capital Formation Inc.
   5 Beekman Street
   New York, N.Y. 10038 Tel. 349-3650

2. National Puerto Rican Forum, Inc.
   214 Mercer Street
   New York, N.Y. 10012 Tel. 533-0100

3. Interracial Council for Business Opportunity
   2090 Seventh Avenue
   New York, N.Y. 10027 Tel. 666-9300

4. National Economic Development Association
   19 West 44th Street, Suite 407
   New York, N.Y. 10036 Tel. 573-6181

5. Minority Business Information Institute, Inc.
   295 Madison Avenue
   New York, N.Y. 10017 Tel. 889-8220

D) LOWER EAST SIDE FEDERAL CREDIT UNION

CLASSIFICATION OF SHARE ACCOUNTS

April 30, 1974

SIZE OF MEMBERS Accounts	NUMBER Of Accounts	TOTAL Savings
500 or less	1,433	$156,195.48
501 to 1,000	111	75,060.42
1,001 to 2,000	46	57,730.93
2,001 to 2,000	15	44,395.78
5,001 to 10,000	3	20,777.97
TOTALS	1,608	$354,160.58

APPENDIX E

LOWER EAST SIDE MARKET

The market area served by LESFCU is the Downtown Manhattan, New York Community of the Lower East Side, as well as a portion of Chinatown. The geographic boundaries of this community are 14th Street in the North; Bower Street in the West; Brooklyn Bridge in the South; FDR Drive in the East.

The 1970 census tracts contained in the Target Area are:

2.01	18.00	30.01
2.02	20.00	30.02
6.00	22.01	32.00
8.00	22.02	34.00
10.01	24.00	36.01
10.02	25.00	36.02
12.00	26.01	38.00
14.01	26.02	40.00
14.02	27.00	42.00
16.00	28.00	

The 1970 census population for the area was 182,171. The area's residents are approximately 60% Puerto Rican, 25% White Americans, 15% Chinese, 10% Blacks.